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ADVANCED MANAGEMENT

Quarterly Journal

The Society for the Advancement of Management

Management for More Output

Mutual Rating

Organization Planning

Organization and Conduct of the Joint Production Committee

Developing Powers for Decision in Business Education

A Better Place to Work

March, 1948 Vol. XIII, No. 1

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Quarterly Journal

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Comment

UNDER the Employment Act of 1946, the President of the United States is charged to make an annual report to Congress on national economic conditions and trends. In a summary of this report for the year 1947, released January 14, 1948, the following paragraphs appear:

> We have learned from experience that the capacity to produce does not alone assure continuous maximum employment. The distribution of purchasing power determines whether there will be enough funds available to provide adequate investment for maximum production and enough buying power to absorb the output.
>
> Industrial price-wage profit policies, arrived at without compulsion in a free, competitive economy, play an important part in preserving or destroying balance in our economy. In those areas where business men and workers make decisions about prices, wages and profits we must seek through education and understanding to adjust these decisions ever more closely to the broad needs of the whole economy.
>
> At the same time, the adaptability of the economy to changing circumstances requires the maintenance of active competition which, through amendment and improved enforcement of the anti-trust laws, must be preserved where it exists and revived where it has languished. Collusive monopolistic practices must be eradicated and the trend toward concentration of economic power reversed.
>
> For balanced expansion, our economy requires a larger flow of income to consumers. Comparing 1939 to today in dollars of constant purchasing power, annual expenditures for producers' durable equipment have increased by 170 percent, while annual consumers' expenditures have increased by only 48 percent.
>
> When the export surplus and business retooling and the use of savings and credit level off or are reduced, we shall need more consumer income to sustain maximum production.
>
> More consumer income must be accompanied by better income distribution. In 1946 the lowest-income fifth of our families had an average annual income before taxes of only $835. The second fifth had an average annual income of only about $2,000. The top fifth had an average annual income of almost $9,000.

Texts for several comments could be drawn from these sobering reflections. But I call attention only to the fact that whatever may be desired in the shaping of national economic policy for public ends, the critical reality is that in our kind of society economic policy is a composite of the way thousands of business men and corporations actually behave. There exists a tacit premise still in force in these United States that broadly, out of considerations of enlightened self-interest on the part of many managers, our economy will operate in ways best calculated to serve a common good. I am not here calling that premise into question although the entire report from which the above is quoted clearly implies that more than a combination of self-interests is needed for the sound guidance of our expanding economy.

Rather is it presently in point to stress the truth that in the furthering of *enlightenment* in the reaching of business decisions lies a major hope of the survival and stable operation of an economy in which free initiative has such large play. In one sense it is impossible for business decisions to be based on *all* the facts, since in so many areas of policy-making only a part of the determining factors can be identified, evaluated and reckoned with. It is of the essence of business action that it has to proceed with partial evidence on many crucial issues.

Yet on the other hand the need is for awareness of the inadequate nature of evidence and even more for a determined, continuing effort to acquire and utilize the largest possible body of facts relevant to each single decision. It is this premise of possible fuller disclosure under systematic inquiry regarding all important managerial problems which lies at the heart of "scientific management." That there has been notable advance in a half century in applying scientific methods of thought to business issues no informed person could deny. But, equally, it becomes daily clearer that the effort of scientific thinking has proceeded more fully in technological and material realms than in the realm of human relations. Even "price-wage-profits" policies are not solely determined by non-human or purely economic considerations.

That human relations do condition all sorts of deci-

sion-reaching is obvious enough as a general statement. But the hows and whys and wheres are still obscure. Rule of thumb, prejudice and preconception are too often in the ascendant.

What we need is more systematic human relations research such as the universities are increasingly beginning to supply. But even more we need that every executive should be conscious of the value of a scientific and dispassionate approach to his own human relations problems. Great progress is possible in this area, even on the basis of present knowledge and experience. But the progress our economy so sorely needs requires of all executives—both of corporations and of labor unions—a more sustained, patient and determined effort to think scientifically and experimentally about every problem which affects the human relations of associated action.

ORDWAY TEAD

Management for More Output

By PAUL MOONEY

Management Consultant; Author of *Profitable Labor Relations*

THE typical employer can substantially improve the performance he is now getting from the average worker. At the same time, he can lay the foundation for better labor relations in general. These statements are based on the results obtained in a series of case histories here described.

At first glance, the process by which these results were obtained may seem to hold as little promise as the Wright Brothers' first airplane. Yet the approach employed is fundamental, the methods based on principles universal in application. These principles, fertilized by the ingenuity, vision, enterprise and courage of managers can bring about progress in the field of employee relations.

Costly strife over many years is obviously due to a conflict of ideas, objectives and points of view between management and labor. Knowledge of the causes of a problem frequently provides valuable clues to its solution. Yet neither management nor labor has shown a genuine effort to understand the aims and viewpoints of one another. This fact in large measure explains why we still are fumbling for sound answers. It is in order, therefore, that we examine these conflicting aims and points of view, not to accept or reject them but with a sincere desire to *understand* the present sources of strife.

Management's Fears

Two widely held apprehensions dominate management's industrial relations thinking. One is the fear that labor's demand for higher wages, shorter hours, pensions and other benefits which cost money is insatiable and therefore threatens our economy. This is an understandable fear when recent facts are reviewed. Labor has demanded, and almost without exception has obtained, higher wages and more benefits for a dozen years. These demands rarely are accompanied by any contributions to greater productivity to offset higher wage costs. Instead, unions have invented new restrictions on output and the average worker seems less disposed than formerly to give a fair day's work in exchange for his pay.

Employers also are concerned with organized labor's threatened invasion of the field of management. The conviction that "They want to tell us how we can run our business" is held by thousands of executives, occasions deep resentment and colors their thinking on every employee problem. Labor leaders' protestations that this is not so carry little weight in view of the "make work" and other wasteful practices many craft unions insist upon, or in face of a demand by C.I.O. leaders to "see the books" so that wages could be geared to profits—when profits were good.

It can be argued that these fears are exaggerated. But there is no gainsaying the fact that so long as they exist they represent obstacles to real cooperation between management and labor.

Labor's Convictions

The points of view and convictions held by labor are more diverse but equally significant. First in importance is the deep-seated belief that labor did not get a fair deal in the past and won't in the future unless it is prepared to back up its demands by force. Looking at the facts makes this widely held belief just as understandable as management's fear that there is no end to labor's demands. Since the rise of the unions, there has been a tremendous increase in wages, a comparable reduction in working hours. Many other valuable benefits have been won by labor. In view of these gains and the fact that many of them were secured only after a struggle to organize in the face of determined opposition—and sometimes only after a bitter strike—it is not necessary to agree with labor's view to understand it.

Another significant motive which has influenced labor's actions is the desire of the average worker to better his lot. Management is critical of the manner in which the average worker has sought to realize this ambition by a "more pay for less work" formula. Executives look back with nostalgia to the days when the accepted way for a man to better himself was to qualify for a more responsible position. They complain, apparently with justification, that too few workers today are willing to accept responsibility. But they are disposed to overlook the arithmetical fact that the great majority of workers cannot look forward to bettering themselves by advancing to a higher position. For there are about ten workers for every supervisory position and better jobs beyond this level decrease in almost geometric ratio. Certainly no reasonable person can quarrel with

a man's natural and laudable desire to better himself. And so long as the average worker can see no way to satisfy this ambition than by demanding more pay we can be sure that he will continue to do just that.

This ambition to improve his lot, coupled with the belief that the worker has not had a fair deal in the past, has created another labor attitude. This is a conviction of righteousness, which sometimes carries with it a desire for revenge. Anyone who has negotiated many contracts with unions knows from first hand experience how often this sense of righteousness, sometimes aggravated by a determination to "even the account," results in blind, stubborn insistence on demands which often border on the irrational.

An underdeveloped sense of obligation or responsibility usually accompanies this overdeveloped sense of righteousness. When an employer, in protest against what he regards as impossible demands asks, "Where am I going to get the money to pay this bill?" the stock reply of too many unions is, "That's your problem." This attitude, together with labor's too frequent practice of regarding a contract as binding on the employer under all circumstances but as a scrap of paper the union can disregard on impulse, is not calculated to inspire confidence or a desire to cooperate on the part of management.

A notable lack of vision in part accounts for labor's failure to assume its share of responsibility. Union leaders as a group either have failed to recognize that labor can prosper only as industry thrives or lack the vision and enterprise to contribute any constructive ideas on how greater productivity can be obtained. Yet the collective experience, ideas and ingenuity of rank and file workers represent one of industry's greatest and least developed assets.

One more attitude of labor should be noted, because it gives force and strength to all the others. This is the consciousness of its power which labor has developed. The record of strikes in recent years makes it only too evident that this sense of power is a fact.

Is it possible to check this plague of labor troubles which threatens our national economy and, if continued, will surely jeopardize our future as a nation? Currently we are attempting a cure by legislative means. No intelligent and fair-minded person can deny that we need new and revised laws to discourage some of the abuses unions have made of their power. But the futility of laws as a cure-all will be evident to any realist who will provide his own answers to a few pertinent questions.

Can you visualize a law, or for that matter a whole series of laws, that would so curb the power of unions that employers no longer would fear their demands or their threatened invasion of management's field? Is it likely that laws will prove a more effective means of curbing "Big Labor" than they did in breaking up "Big Business"? What reasonable hope is there that by legal means we can:

1. Discourage the average worker's desire to better himself?
2. Lessen labor's conviction of the righteousness of its cause and its feeling that it must fight for that cause?
3. Create a sense of responsibility and obligation in the mind of the average worker and the officials of the typical union?
4. Create an understanding and *acceptance* on the part of labor of the fundamental fact it so consistently shuns; that higher *real* wages can be supported only by higher production?
5. Create the mutual *understanding, respect* and *confidence* between management and labor which will induce them to cooperate in developing better answers to their common problems?

The problem of labor relations is too complex, too deep-seated, to be solved by a legal or any other panacea. We shall have labor problems as long as there are any differences of opinion between management and labor over how the fruits of industry shall be divided. But there is reason to hope that if we can increase the productivity of industry the differences over how these fruits shall be divided will be less acute. Greater productivity will underwrite better profits to management, higher wages and other benefits to labor. If we can get management and labor to work together to increase the productivity of industry, we will have laid the groundwork for cooperation in finding a better solution to other differences.

This "if" of greater productivity can be realized, as evidenced by the facts cited in the following account. All these case histories were developed within a single field —the supermarket industry, which operates on such a low margin of gross profit (around seventeen percent) that wages have a vital bearing on profits. The methods which produced these results were designed to meet the specific problems of that industry. But the approach to greater productivity and the principles employed to obtain it can be applied to any type of business.

1. *Productivity up twenty-five percent, errors down ninety-three percent on a production job*

The girl who adds up the value of your purchases and

collects the money for them in a supermarket is known as a cashier or checker. There are two measures of a checker's competence: the accuracy and the speed with which she checks customers' orders. Extensive tests made by one organization revealed that the average checker made errors, in favor of the customer, of slightly over one percent of sales. This figure was equal to over half the concern's net profit. These same tests showed the speed of the average checker to be $1.50 per minute.

By establishing better control over the factors which determine the quantity and quality of a worker's performance, management obtained the following improvements in productivity. Errors were reduced to .0025 percent of sales. Average speed was increased to $1.87 per minute. This represents a ninety-three percent reduction in errors, and a twenty-five percent increase in speed.

These results have been duplicated by three other chains. Initial errors and speed varied considerably from one concern to another. But in each instance, the improvement obtained through better control over the factors which determine performance was approximately the same, percentage-wise. Three of the four concerns are unionized and pay according to a wage scale which requires increases based on length of service only. In no case was the method of pay changed to provide greater reward for better performance and in no case has the union offered any opposition to the plan.

2. *A production-supervisory-merchandising job*

The produce man in a supermarket is responsible to the manager for the operation of the fruit and vegetable department. He usually does the ordering and merchandising himself and, with the help of clerks assigned to him, prepares the goods for sale, builds displays and waits on customers.

Sales and gross profit are the two measures of a produce man's performance. The latter figure is materially affected by the proportion of high-profit items he sells, the mark-downs he takes on slow-selling merchandise, and the goods which spoil and have to be thrown out. His sales times his gross profit give his gross profit dollars, which represent a combination of these two measures of competence.

By better controlling the factors which determine the performance of the produce man and his assistants, gross profits were increased fifteen to twenty percent. No financial incentive was offered the produce man nor his clerks, all of whom were unionized and paid on the basis of length of service. The union has made no opposition to the operation of this plan. Comparable results have been obtained by two other chains, in one of which the produce men as well as the clerks, are unionized.

3. *A supervisory position*

The manager of a supermarket is in charge of the entire store. In the organization involved in this case history, he has five supervisory assistants: an assistant manager; a head meat cutter, who is responsible for that department; the produce manager, referred to above; a head cashier, who supervises the checking operation previously mentioned; a head stock clerk, who receives all grocery merchandise, supervises the stocking of shelves and the physical maintenance of the store. In addition to these department heads, the manager also will have as many as thirty to forty clerks on his payroll.

The competence of a manager is reflected in the profits of his store. Sales and gross profit are determined primarily by the location of the store and the merchandising ability of the concern for which he works. But store wage costs, which frequently spell the difference between profit and loss, are under his control.

The objective of this particular case history was to reduce store wage costs without cutting wages or impairing service to the customer. The approach employed was that used in the other case histories; to develop better control over the factors which determine performance. The increased output per man which was obtained by these means is illustrated by these figures from the first eight representative stores where the plan was introduced. Total man hours prior to the plan were twenty-one percent in excess of a budget based on sales. Twenty weeks later, total man hours had been reduced to eight percent *below* a budget based on sales. This is a decrease in man hours in relation to sales of twenty-five percent. There was no sacrifice in the quality of work in order to obtain this greater productivity. Instead, standards of performance were materially raised. Sales increased over twenty percent during this same period.

The clerks of the concern involved in this case history are unionized. Two classes of department supervisors — the head cashier and the head stock clerk are members of the union. Yet the union offered no opposition to the plan. The department heads — including those who were union stewards — took an active and aggressive part in bringing wage costs under control, even though they knew that in certain instances this would result in the dismissal of union members.

Factors Which Determine Performance

The greater productivity obtained in each of these case histories is the result of better control over the

factors which determine performance. There are seven of these factors. Each of them can be controlled, or substantially influenced by management.

1. *The character and ability of the worker*

Even in these times, the employer can influence the character and ability of his workers. Through intelligent selection he can get the best the market affords in character and ability. By effective training and good supervision he can exercise still further control over character and ability. Both points are illustrated by the case histories on checkers.

As part of the plan to increase the productivity of these workers, management established a training program and standards of performance in respect to accuracy and speed. Experienced cashiers as well as applicants were given this training. After training, the applicants who could not develop to these standards were rejected. The experienced cashiers who could or would not meet standard were either transferred to other positions or discharged. The unions are aware of this policy and in no case have they protested it.

2. *The nature of the work*

We have too many jobs in modern industry which are so routine, monotonous and dull that they are an affront to the pride and intelligence of the worker. While neither checking nor preparing vegetables for sale classes as one of these "moron" jobs, neither had much standing with the workers who held them and they took little pride in the way they performed them.

Management changed this attitude by doing two things. They built up the job by establishing standards of performance and demanding greater skill. Then they developed in the workers the skills the job required. They made the job a challenge, then enabled the workers to meet this challenge. In this way they developed something approaching pride of craft among the workers. Both these objectives were realized by a training program which developed not only the skills but the attitudes required for first rate performance.

3. *The opportunities for good performance provided the worker*

Granted a poor workman blames his tools, good workmanship scarcely can be expected from the *average* worker unless the tools, methods, equipment and layout provided him are adequate. All these things have a bearing on the calibre and quality of work obtained and all of them can be controlled by the employer.

Improvements in methods, layout, equipment, tools and procedure contributed materially to the better performance of checkers, produce clerks and store managers related in these case histories. Better layout of grocery and produce backrooms simplified the work and cut labor costs. A new method of trimming cauliflower enabled a novice to do a better job by this method than an experienced man could in the old way. New procedures for checkers reduced both the chances of error and the amount of work involved. An inexpensive piece of equipment enabled produce men to preserve in first class condition merchandise which otherwise would have had to be marked down or thrown out. Methods developed for organizing store work helped managers get a better job done with substantially less labor yet gave them better satisfied employees as well.

These illustrations of the way in which better control can be obtained over the opportunities provided for first rate performance are not taken from an ancient, tradition-ridden industry. The supermarket represents a revolutionary change in food retailing, as evidenced by the fact that the volume of the modern supermarket is twenty to forty times greater than its immediate predecessor, the typical chain food-store of fifteen years ago.

The prospects for greater output per man by better control over the opportunities provided for good performance are by no means limited to supermarkets. Foremen and supervisors in top drawer organizations, with only ten hours in the Training Within Industry Committee's Job Methods Program, turned up thousands of improvements in layout, machinery, tools and methods which resulted in increased or more economical production. And these men only scratched the surface.

4. *The introduction the worker gets to his job*

Every executive recognizes that both skill and attitude have an important bearing on the quantity and quality of the worker's output. But management in general does not realize the extent to which it can develop attitudes as well as skills — nor is it aware of the production that industry is losing by failing to give the worker an intelligent introduction to his job.

The conventional way of introducing the beginner to his work is to have an experienced worker "show him the ropes" and let him learn from that point by experience. By this time-honored process the new worker obtains a scanty knowledge of fundamentals, a substantial stock of misinformation, a sizeable collection of prejudices. As a result, he commonly becomes a mediocre workman with a questionable attitude toward his job and industry in general.

The extravagance of this method and the rewards of a rational process for introducing the worker to his job are illustrated by these case histories. The checkers, whose average net errors were equal to more than half the company's net profit, learned their jobs from so-called experienced checkers. Re-introducing these people to their work, developing the attitudes and skills required for good performance reduced their errors ninety-three percent and stepped up their productivity by twenty-five percent. The managers involved in these case histories cited had an average experience, as manager, of over fourteen years. Yet re-educating them in certain aspects of their work was a prime factor in enabling them to run better operated stores and handle over twenty percent more sales without adding any help to their payrolls.

The process by which these checkers, produce clerks and managers were re-educated differed in detail but the steps taken to realize the objective of better performance were in all cases the same in principle. These consisted of:

1. Establishing the fact that a better job *could* be done.
2. Creating the *desire* to *do* a better job.
3. Developing the *skills* which made it possible to realize this desire.
4. *Rewarding* better performance.

Should these methods seem fantastic in this era of "more pay for less work," the reward employed will seem even more so. But the results they are producing are real.

5. *The reward for good performance*

The great majority of employees involved in these case histories are paid in a manner which provides about the least possible financial inducement to better performance — a wage scale based on length of service. Any compensation plan which did a reasonably fair job of relating pay to performance undoubtedly would have been a valuable incentive. Yet the fact that it was possible to obtain a substantial improvement in performance under these unfavorable circumstances is evidence that money is not the only reward to which workers respond.

Improbable as it may sound, it was an appeal to the worker's *ego* instead of his pocketbook which helped get better performance. The reward held forth was an opportunity to do an outstanding job as checker, produce clerk or store manager. There was no promise of quick promotion. Instead, the workers were told what they already knew — that opportunities for promotion were limited. Yet as a group, they responded with substantially better performance.

Why? Because they were normal human beings. They possessed pride, self-respect, ambition, a desire to stand well in the eyes of others. Management appealed to all these motives by the simple process of offering to show each of them how to become a first rate workman on his respective job and demonstrating that it could and would do that with everyone who was willing to make the necessary effort. The results show that the majority were willing to make the effort.

6. *Outside influences*

Children used to be brought up with a sense of responsibility and discipline. They were expected to do chores at home, required to learn the alphabet and the multiplication tables in school. In both places they were taught that it was the obligation of every self-respecting man to look after himself and his family; that hard work and thrift were cardinal virtues. Business leaders were held up as models for youth by parents, teachers, authors and frequently by ministers.

Now times have changed. Many parents regard the necessity of their children doing work about the house as a social hardship. High schools, even colleges, graduate youths who do not know simple arithmetic, nor how to speak, let alone write, coherent English. From all sides a generation has been exposed to the idea that the world owes everyone a good living and that if the world falls down on that responsibility, the government ought to step in. The business man is commonly pictured as a heartless exploiter of his fellow men in literature, over the radio, at home, and elsewhere.

These influences, and the effect they have had on the popular attitude toward work and industry, have made it increasingly difficult for the employer to get a fair day's work from the average employee. The claim that industry is responsible for this unfortunate situation, that by its sins of omission and commission it set the stage and provided the audience for the radical labor leaders, the demagogic politicians and the economic magicians, may be open to dispute. But there is no gainsaying that unless and until industry finds some way of offsetting these unfavorable influences, its difficulties in getting a fair day's work will continue.

The workers mentioned in these case histories were, and still are, exposed to the same outside influences as workers in general. Yet, as the results indicate, they are more disposed than formerly to give a fair day's work. This change in attitude was brought about by a process simple to state and not too difficult to operate.

The surest way to get rid of a bad habit is to replace it with a good one. The workers dealt with had fallen into the habit of dwelling on the bad things they had heard about employers, and the things they did not like about their jobs. Their employers therefore undertook to replace these bad habits with the good one of getting the workers to think constructively about their jobs. This was accomplished to a substantial degree by means of the training programs already mentioned. And instead of rebelling against this "indoctrination," the workers enjoyed the training so much they commonly thanked the instructor, asked for more — and gave better performance in exchange.

7. The supervision or leadership he receives

The majority of employers seem to feel that the average worker *could* do a much better job if he really *wanted* to. This poses a pertinent question: "Why doesn't he want to?" What accounts for the average worker's indifferent attitude toward his job, for labor's uncooperative attitude toward management and capital?

Both questions can be answered in a single word — *leadership*. The leadership of industry presumably resides in management. Management, however, has displayed a singular lack of understanding regarding the nature and obligations of leadership. It has failed to recognize that the value of leadership can be judged on the basis of *effectiveness* as well as ethics; that as Hitler so tragically demonstrated, leadership may be downright evil in terms of its objectives and at the same time be "good" in the sense that it is effective in influencing people. As a result, management has indulged in too much self pity over the "bad" leadership the worker has received from organized labor, too little self-searching regarding the shortcomings of its *own* leadership.

The managements involved in these case histories took a more realistic — and quite mercenary — view of this all important question of leadership. They recognized that there was little profit to be gained by damning labor leaders. They decided to examine the opportunities for leadership open to them, to take a critical look at what they had made of these opportunities. They found that management could influence the quantity and quality of the workers' production through management's leadership in respect to:

1. The character and ability of the worker.
2. The nature of his job.
3. His introduction to his work.
4. The methods, tools, equipment and other opportunities for first rate performance provided him.
5. The reward given him for good performance.
6. The outside influences to which he was subjected.
7. The supervision or leadership he received.

As a result of this analysis, management undertook to plan ways and means of improving its control or influence over these factors. *In each company, management found it was possible to improve its leadership in terms of all seven factors.* Three additional steps were necessary to make this better leadership effective. Management was obliged to sell the employees on giving them better performance; to find a means of developing the skills and attitudes required for better performance; to follow through to see that the better performance was forthcoming. These three steps were realized through the training programs, which top management formulated and in which supervision as well as the rank and file directly participated.

Patience, ingenuity and no little courage were required of management to work out the many important details of this plan to improve its leadership. But in every instance, the reward, in better performance from the average worker, was worth the effort. While the details were peculiar to the business, the process by which these plans were developed can be applied to any business. It consisted of:

1. *Analyzing* management's present leadership in respect to each of these seven factors which determine the quantity and quality of the workers' output.
2. *Planning* better control or influence over these factors by management.
3. *Selling* these plans to the executive, supervisory and worker personnel.
4. *Developing the skills and attitudes* required for first rate performance.
5. *Following through* to make sure that the plan is carried out at each level of the organization.

Management's Opportunity

Better performance is only a token of the stakes management has to win or lose in this business of labor relations. The problem of "more pay for less work" is simply the concrete expression of a philosophy, which, if it continues to grow, will spell the end of private enterprise.

Thus far about the only thing management has done

to combat this philosophy is to damn the labor leaders and politicians for promoting it and deplore the stupidity of the workers for believing it. Yet management is in a better position to sell the idea that Santa Claus comes only to those who pay for his services than any other agency. For management, through the worker, has entry into most of the homes in this country. It has direct personal contact, forty hours or more a week, with millions of the men and women who are most likely to vote for Santa Claus legislation — to their own imminent misfortune.

Neither the politicians nor the labor leaders can be relied on to try to sell the idea that as individuals, as a nation, we can prosper only to the extent that we, by our efforts as individuals, produce. Both live by votes, and you don't get votes by bucking a popular idea unless you have something better to offer in exchange.

Does industry have anything better to offer? Management cannot excuse its poor salesmanship to date on the grounds that it cannot compete on a "more pay for less work" basis and survive. For if management actually believes what it professes, it is convinced that individual enterprise has, and will continue, to provide the average man with more of the good things of life than any other economic system man has yet devised. Management therefore is in a position to sell a bird in the hand in comparison with an alleged flock in the bush.

The bird in hand, to be sold, will have to be a fatter, more attractive bird than it has been in the past. Capital and management will have to promise — and deliver — more of what the average worker wants than he has been getting in the past.

Can management make good on such promises? It can, if it has the courage and wisdom to develop the necessary leadership. The case histories quoted indicate that by developing better leadership in respect to the factors which control performance, management can persuade the average worker to *give* a better day's work. The resulting improved performance only scratched the surface of the mine of potential productivity. By still better control, particularly in the field of supervision and personal leadership, the results obtained could easily be doubled.

There will be no sale, of course, if capital and management undertake to pocket all the proceeds from better performance or to kill organized labor so that the worker is in a weak position to bargain over the distribution of these greater proceeds. But if management has the wisdom to work *with* labor, not only in obtaining better production, but in aiding labor to realize its legitimate aims, management can exercise prime leadership. For management, through the medium of better production, can demonstrate that by individual enterprise, the average man can get more of the things he wants than he ever can hope to get in any other way.

Mutual Rating

The Key to Employee Participation

By HENRY W. SHELTON

Management Consultant

IN ANY discussion of a specific technique like mutual rating, a certain background of approach must be either assumed or made clear. Let me first, therefore, try to establish such a background on which we may essentially agree.

Basis of Democracy

Of democracy and how it could work, as a way of life, we really know little. It is still so new and comparatively untried! Its characteristic in our political life was stated by Abraham Lincoln: "Government *of* the people, *by* the people, and *for* the people." And we, the people, have devised and are still devising means to try to make it work. Witness the bill of rights, the ballot, the initiative and referendum, and how they are cherished. They rest on regard for the individual and faith in his responsible, participating citizenship which carries certain inalienable rights.

But how far does this concept, so basic in our political life, carry into our industrial life? How far do the methods we have devised to make industry work rest on regard for the individual and faith in his responsible, participating citizenship? Is not lack of faith in one another the sore spot in our industrial relations? How many burdensome and expensive procedures are based on lack of faith?

Our large organizations have too often become like the machinery we have invented — cleverly intricate combinations of parts, but static and lifeless until the "juice" is turned on. The inborn creativeness of management is supposed to supply the "juice." The increasing distance between those at the top and those at the bottom has led to a rigid absolutism of direction from the top down, with less and less freedom and incentive for individual contribution from the bottom up. As a factory manager recently said to me, "I do not believe in getting the worm's eye view." Deprived of opportunity to use their inborn creativeness in their work, the rank and file and many others have had to find other channels for its expression, often outside instead of inside the plant and too often destructive instead of constructive. Strikes, like revolutions, are but the explosive result of suppression.

The constructive expression of these inner forces in man can be organized. Their release is essential to peace and progress. One of the most elementary of these forces is opinion—that changeable complex of past impression, present personality and future dreams.

Shop Opinion

In industry no less than in politics there is or should be citizenship. Every member of an organization forms opinions and revises them. But his inalienable right to express them by free, secret ballot is not yet generally accepted. While shop opinion always exists, it seldom has safe, natural channels of expression on matters and persons with which it is vitally concerned. As a result, it tends to become irresponsible. On the other hand, an enlightened "public opinion" can prove as potent for good in the shop as in the village or the nation.

To the question, "Would not such freedom of expression endanger existing morale?" I can only reply, "Not as much as would the refusal or repression of such freedom." There will be mistakes. There will be some stirring of waters in previously dead calm pools of Siloam, but all in the direction of new life and health. To quote a celebrated Englishman:

> There is only one cure for the evils which newly acquired freedom produces; and that cure is more freedom. . . . Many politicians [and business men] of our time are in the habit of laying it down as a self-evident proposition that no people ought to be free till they are fit to use their freedom. The maxim is worthy of the fool in the old story who resolved not to go into the water until he had learned to swim. If men are to wait for liberty until they become wise and good in slavery, they may indeed wait forever.

To summarize the approach: the vitality of political democracy lies in a free, creative, participating citizenship. The formation and expression of opinion is a citizen's inalienable right. A similar citizenship is needed in industry. It is blocked by lack of faith between men. Faith can be restored and constructive citizenship begin

to function by providing for all a safe means for the expression of opinion. Mutual rating is a beginning in this direction.

It is unnecessary to devote time here to an analysis of current "merit" and "efficiency" ratings. Personnel ratings have become so popular and widespread since Walter Dill Scott and his associates did such pioneer work in World War I that we have all had experience with more than one and probably have formed our own "opinions" about them. The rest of this paper therefore will be devoted to a description of "mutual rating" theory and practice, interspersed with illustrations chiefly drawn from one recent experiment in the West. The company making the experiment is the country's largest manufacturer in its line.

Mutual Rating Defined

Mutual rating is a rating *of each* person *by all* of his immediate circle or working group including all ranks, superiors, equals and subordinates. Since it does not attempt to determine the person's total value to the company, it does not displace, but merely supplements, existing means of personnel evaluation. Thus far it has been confined to personality traits of the members of small groups (from four to forty) who by daily association are in a position to know one another.

It is voluntary. Each group discusses the pros and cons of the plan as long as it wishes and then decides by secret ballot whether or not it would like to try it for a minimum of six ratings. If the vote is "No," the matter is dropped for that group. If the vote is "Yes," the group chooses the personality traits in which it is most interested, again by secret ballot, and elects a "mutual rating committee" to act for it in carrying on the ratings. Through this committee it chooses a scale of values, draws up the ballot form, and arranges the details of time and place of balloting, counting and tabulating the ballots, and seeing that every voter gets a complete copy of the tabulated average scores of all votes cast.

Angles of Opinion

Ballots are unsigned. Names on the ballot are grouped according to rank. The voter indicates in which rank his name appears so that tabulated averages may show the collective opinion not only of the entire rating group, but also of each angle of opinion, viz. superiors in rank on subordinates, equals in rank on one another, and subordinates in rank on superiors. Differences of opinion by different ranks on the same person are sometimes significant.

Values to the company include not only the new light thrown on the personality traits of the participants, but the stimulation of those intangibles which make for sound morale. After two weeks of deliberation in the plant which made the experiment, a large group of supervisors was going to vote on whether to try mutual rating. Before the vote the plant superintendent remarked, "If we never go another step with this thing, it has already paid a big dividend to this company."

When asked what kind of dividend he meant, he replied: "Why, in the changed attitude of the supervisors. They are always nice to their superiors, of course. But now, at the thought of taking account of themselves, they take a different attitude towards each other and their subordinates too. They show a new cooperation which is felt all through the plant."

To the surprise of everyone, the supervisors voted over ninety percent in favor of undertaking the experiment. After free-for-all suggestions of about twenty personality traits, they chose four by secret ballot: ability, cooperation, initiative, personality.

Values of the Plan

It is hard to distinguish the values to the individual from those to the group and the company; they are so interrelated. An individual who becomes more cooperative benefits himself, his neighbor and his employer. Some of the values may be disentangled by those who wish to do so from the following anecdotes.

The ballots of the first supervisors' mutual rating had been cast and tabulated and copies of the tabulations distributed to each voter. Many were watching curiously to see how the after-effect of the actual rating would compare with the earlier effect of just thinking about it, as described by the superintendent.

An "old-timer" shop department head said this about it: "The guys I think amount to anything around here were tickled to death with the whole thing. Some guys resented it. One guy who rated low in 'cooperation' said, 'That's just what I expected.' Now he'll mend his ways, for he now knows what it means to be shown up by the crowd. I think this plan should go ahead a lot farther."

"Mutual rating is fundamentally sound. It makes for a square deal," commented a department head.

"Politeness in the shop was appalling!" said a supervisor with a grin. "A certain man who has never before spoken to me except about my work actually stopped and said 'Hello!'"

This was the sober comment of the shop superin-

tendent: "Those resenting mutual rating are much in the minority. One fellow near the bottom said, 'I got what I deserved, and I know why.' The good that comes out of this is what happens inside one's self."

Then there was the case of Charley, a department supervisor, as told by the supervisor of an adjoining department: "Charley would not tell you that this thing has changed him, but believe me, it has. He used to come over and grab an empty bin from us. We'd say, 'Hey there! We'll need that in a few minutes.' And he'd say, 'But I need it now.' Now he asks decently if he can have it. If we had a couple of workers idle and offered them to him he'd say, 'No, I don't want them!' Now he says, 'Well, let's see if I can find something for them to do.'" A few months later when asked whether Charley's new attitude had lasted, the first supervisor chuckled, "I'll say it has! He just knew it had to." And at the end of a year Charley's improvement still held. Perhaps he really liked his new attitude better.

The first reaction of employees when the idea is presented is real interest, tempered by suspicion. May it not hold some hidden danger to the workers? Why is top management willing to sponsor it?

Mutually Beneficial

The cure for this suspicion is the truth. Only as this plan is good for the employees is it good for the company. By running it themselves with every safeguard they wish to provide, they see to it that no voter can possibly get in wrong by a "leak" as to how he voted.

Some of the workers were very cautious as they discussed the plan. Bob, a union member of the Labor-Management Committee, feared management manipulation of the ballots. "If our ballots could be counted right in our department, it might be all right," he said, but he was opposed to it because "we might get gypped in some way that we don't see now." Six weeks later Bob said, "I've been thinking it over and I've changed my mind. At first I was suspicious of it as a possible way to get stool pigeons into the plant. But now I'm all for it. I think it's really democratic!" And some time later, "When can we have it in our department?"

Mutual rating tabulated scores, like election returns, were recognized as belonging to the voters. Each one, whether worker or boss, got a complete copy for himself to keep. (Elsewhere it has even been voted to post a copy on the bulletin board.) In one department eagerness to see the latest rating scores interrupted work. The voters themselves settled that difficulty by having them distributed only at closing time.

Publicity for Scores

This publicity of the scores is a subject about which there is wide theoretical difference of opinion. Those accustomed to keeping the usual merit ratings strictly confidential feel it would be ticklish and perhaps disastrous to reveal rating scores. Others propose that the bottom third or half of the tabulated names (which are listed in order of relative score) should be left off, those actually listed forming a sort of honor roll. Still others think that each voter should know where he stands but should not know the names of those above and below him.

This degree of publicity was not imposed but was voted by the group. Any group could handle it any way they pleased. My observation is that most groups seem pleased with this kind of publicity. It stimulates emulation—a powerful incentive. Would Charley's change of attitude have been the same if his score had not been available to all the rest of the voters? Or would his reform have lasted if successive ratings had not provided continued check-up?

In my opinion the secrecy with which merit rating records are handled in many organizations has proved unfortunate to morale. To some critics it has been evidence of the fallibility of the rating themselves—that they could not stand the light of day. Employees have resented the use and possible misuse of ratings kept in a secret file. This resentment has been voiced by personnel not only in industry and education but also in the various civil and armed services of government. Openness, like sunshine, promotes health in human relations.

At this company, as in other cases, we found that general participation required simplicity, in contrast to the comparatively elaborate and expensive ratings ordinarily in use. One modern rating system lists eighty-five qualities. Another with only eight qualities has fourteen degrees of excellence under each. Small wonder that such ratings may become, as more than one employee has complained, a "pain in the neck." Most participants in mutual rating seem to get real fun out of it.

The number of qualities under mutual rating has been usually limited to three or four. Such qualities as cooperativeness, dependability, fairmindedness and initiative were selected by the raters because they were easily understood and appreciated, and recognized as important in their every-day working relations. One group of high-grade technicians in this company, wishing to rate itself on a greater number of qualities, devised a plan to rate on three or four different qualities each week for four weeks and thus have a recurrent rating once a month.

Each rating group chose its own scale of values. The simplest was the most popular: 5-highest, 4-high, 3-medium, 2-low, 1-lowest. The ordinary concept of ratings as a rather rigid measure of values was replaced by the recognition that all measurements merely indicate comparative relationship and that the relationships between people are constantly changing. What mutual rating succeeded in doing was to mirror for each person at intervals an ever-changing personal reputation in the public opinion of his group, valid today and perhaps outgrown tomorrow.

Urge to "Size Up"

Sizing up one another, to be sure, is a lifelong practice with us all. In infancy we size up our parents. Later we size up our associates, our subordinates, our boss and even our President. And since we, too, are always being sized up by others, the practice is inherently *mutual*. It is the process by which each one of us sooner or later "finds his level." Yet how many employees, believing themselves stuck at levels too low, long for something like mutual rating to give themselves deserved recognition!

Psychologists tell us that at any moment of time our judgment of another is over-influenced by our most recent contact and experience. This supports the opinion expressed by some of those trying to operate the annual efficiency ratings in the federal Civil Service. They claim that it is impossible for the human mind to accumulate a true picture of another person through a period of twelve months and make a fair appraisal once a year. Some even consider it impossible for *any* one person to make a really fair appraisal of any other person at *any* time. They argue that one inevitably sees and interprets another through the colored glasses of one's particular background, experience and resulting personality. Yet, fair or unfair, personnel appraisals and decisions which are based upon them must constantly be made.

Collective Judgments

Recognizing the fallibility of a personality judgment by any one person at any one time, mutual rating suggests the supplementary value of collective judgments frequently. Collective judgments help neutralize individual prejudice. Frequent ratings help overcome the "halo" effect of recent impressions. Ratings have customarily been held monthly, or as often as the members of the rating group feel it desirable to record significant changes in judgment. In one special case they were held daily for about two months.

The important thing in a person's rating record has been found to be its trend rather than any single score. It is comparable to a baseball player's batting and fielding average through a season in contrast to any one game. It is the season's average that counts.

This chance to "see ourselves as others see us" has an observable effect upon inner attitudes and will to improve. For instance, persons rated low in cooperativeness try to be more cooperative. It is natural to wish to stand well in the judgment of one's fellows. Thus, in the group, mutual rating makes use of this motivation. It arouses a sense of mutual accountability. The result is a decided stimulus to self-improvement.

In one organization, Mrs. W——, who had a "pull" with an officer much higher up than her own boss, was accustomed to come late and leave early and more or less slack her work with impunity. In her first rating she found herself ranked thirtieth out of some thirty-eight voters in "industry." Thereupon she began to come on time, stay full time, and do a decent day's work. At the next rating, five weeks later, she had risen to eighteenth place. Her fellow-workers had observed and given her credit for her improvement.

Recognition Encourages Effort

Such recognition by one's own group encourages further effort. Under ordinary conditions many an effort at self-improvement goes unappreciated by management for so long that employees become discouraged or even embittered. One hears such remarks as: "What's the use of trying to do a good job around here? The only way to get ahead is to play up to the boss." Then the art of apple-polishing takes on new importance. But under mutual rating an employee soon discovers that he cannot apple-polish his whole crowd. He has to deserve their esteem.

A good and improving reputation in the collective judgment of the whole group not only increases the chance of recognition and reward of merit; it also adds to security in the job. Ordinarily a boss can get rid of a subordinate for personal reasons not connected with that person's real value to the organization. As a United States Department of Labor official remarked, "A boss may be fine to his superiors and a heel to his subordinates." But continued good ratings by the group, known to all, become a protection to the individual against injustice.

Expression of the collective judgment brings a new sense of mutual appreciation and gives a lift to morale. There is dignity in helping set the personality standards of the group you are in. There is pride in knowing that

your judgment of your associates counts. Citizenship in the organization takes on new meaning. Consciousness of interdependence generates "We-feeling," the very essence of team spirit, the "Gung Ho" of the famous "Carlson's Raiders."

Of course there are sometimes hurt feelings over a low score in a given quality. In ordinary merit ratings, where a low score has been given by an individual rater, the ratee has often nursed a grudge against him as being prejudiced. But the ratee cannot assume such prejudice by a whole group. A collective judgment almost compels him to face the facts and learn what lesson he can. A clerk was rated among the highest in "dependability" but the lowest in "cooperativeness." She felt very unhappy about it. Within a few weeks she had come out of her shell and so improved her relations with her fellows that in the next rating she was given a much higher score in cooperativeness. According to her supervisor she had already improved one hundred percent.

Where the rating is low the ratee has several courses open to him. He may demonstrate in action that he has been misjudged. Then subsequent rating will correct the misjudgment. Or he may, like Mrs. W——, correct in himself shortcomings of which the rating has made him aware. One man said his first rating was "like a dash of cold water." Subsequent ratings will give him credit for his improvement. This has happened frequently.

Finally, in the rare case of a continued low score in all the qualities chosen as important for successful membership in the group, it would be an indication that he may really be a misfit. This is no disgrace. To discover that he is a misfit, a square peg in a round hole, should prove a blessing. The sooner he faces this and gets into a square hole the better for him and his future, as well as for the group.

Role of Personnel Department

Every normal person, deep inside, wants to be a success and will do his best to achieve it. He wants his own and others' successes to be real, based on merit and a square deal, not the pseudo-success based on pull and favoritism. Where this seems not the case, psychological causes can generally be found. This places on the personnel department an important responsibility—wise individual counseling. An expert in human behavior can help the individual turn hurt feelings and disappointment into constructive channels of self-discovery and self-education.

When mutual rating is well established the participants may consent to management's use of the scores in personnel decisions. Without altering the executive's responsibility and prerogative for making those decisions, mutual rating adds significantly to the information otherwise at his disposal. It increases the probability of success in his selections and reduces costly delay in the discovery of misfits.

Those in close day-to-day association with a man get to know him best. His superiors, equals and subordinates see his personality from different angles. Judgments from all of these angles together, as well as from each by itself, are illuminating and are needed to approximate the truth.

In a survey on 144,000 industrial employees, it was found that personality traits were far more influential in determining promotions and retentions than were ability and skill. Ninety-four percent had bothersome worries. Eighty-five percent of the bothersome worries were based on the question, "What do other people think of me?"

Mutual rating gives a practical, work-a-day answer.

Means of Participation

When the first account of mutual rating was presented at the annual meeting of the Taylor Society in December 1919,* Morris Llewellyn Cooke suggested its sub-title, "A Contribution to the Technique of Participation." In my closing remarks I said: "It seems to me that we cannot over-emphasize the importance of 'participation' in our modern industrial life. But participation, like democracy, is a term which means nothing unless it is brought down to earth and put into practice."

Ordway Tead, in his able monograph, *The Importance of Administration in International Action,* speaks of "The common desire—the immediate common denominator of *present shared experience,*" and goes on: "Democratic administration means . . . that *all who participate can contribute creative effort* under stimulating leadership and good training."**

Eric Johnston, in the foreword to his program for *Labor Dividends and Multiple Management* (1946) emphasizes the same point: "We are simply applying techniques to our particular enterprises which express our basic industrial philosophy. It is our effort to reach toward the goal of *greater creative individual participation* in our businesses."

Clinton S. Golden, formerly Assistant to the President, United Steel Workers of America—C.I.O., speaking for millions of workers in an address before the

*Bulletin of the Taylor Society, Vol. V, No. 2.

**_Approaches to World Peace,_ Harper, New York, 1944, p. 932.

Society for the Advancement of Management, said: *"They seek* recognition and *an enlarged sense of participation."* In describing noteworthy employee relations in one plant he said: *"A sense of belonging,* of being important, *a sense of citizenship began to develop* among them."*

Peter F. Drucker advocates "labor participation in management" and states that management must *"see the plant as a social institution in which a worker has to be given citizenship."***

These quotations (italics are mine) mark a trend of profound significance. Awareness of the instinctive human desire—and, shall we say, inalienable human right — to participate is spreading. Participation, by such means as mutual rating, opens the channels of creative interest, cooperation and loyalty—the foundations of sound morale.

Participating citizenship is the keynote of American democracy. The validity of our political system has been proven by something very close to mutual rating when all citizens join in rating their leaders at the ballot box. Any human enterprise—industrial, educational, governmental—will approach its maximum effectiveness only as it recognizes and applies this basic, traditional philosophy: a fully participating citizenship.

*"How to achieve Full Labor-Management Cooperation", Dec. 1, 1945. See ADVANCED MANAGEMENT, Vol. XI, No. 1, March, 1946. Dec., 1946, and January, 1947.

**"The Way to Industrial Peace", *Harper's* Magazine, Nov. and Dec., 1946, and January, 1947.

Points of Comparison

	A Merit Rating	A Mutual Rating
1.	One directional: downward.	Three directional: downward, sidewise, upward, plus all three together.
2.	Authoritative.	Experimental.
3.	Required.	Voluntary.
4.	Training important.	Training unnecessary.
5.	Ready-made.	Home-made.
6.	Difficult.	Simple.
7.	Many qualities.	Few qualities.
8.	Expensive.	Inexpensive.
9.	Infrequent (semi-annually).	Frequent (monthly).
10.	Rigid, difficult to revise.	Flexible, easy to revise.
11.	Unresponsive to changes in opinion.	Responsive to changes in opinion.
12.	Misjudgments stand uncorrected for long period.	Correction of misjudgments quickly recorded.
13.	Scores confidential, known only to ratee, rater and higher-ups.	Scores available to all.
14.	Difficult to be honest.	Safe to be honest.
15.	Attempts to measure employee's value to employer.	Attempts to measure personality traits of value to group.
16.	Value primarily informational, for management.	Value primarily creative, for participants.
17.	Exclusive opinion by single or few raters.	Inclusive opinion by group which knows one best.
18.	Personal bias of rater may arouse grudge in ratee.	Impersonal opinion of average precludes personal grudge.
19.	Any existing personal prejudice important.	Any existing personal prejudice less important, prejudices for and against tending to be neutralized.
20.	Open to charge of individual prejudice.	Cannot charge individual prejudice.
21.	Rating appealable; raises issues between rater and ratee.	Rating not appealable.
22.	Stimulates self-justification.	Stimulates self-improvement.
23.	Educational to ratee and management.	Educational to all in group, including ratee and management.
24.	Pressures come from management.	Pressures come from public opinion of group, and within oneself.
25.	Provides material for preaching.	No opportunity for preaching.
26.	No public opinion involved.	Clarifies public opinion in group.
27.	Personality standards set by rater (boss) not easily changed.	Personality standards set by all participants quite open to change.
28.	Accountability upward.	Accountability mutual.
29.	May undermine morale.	Fosters mutual appreciation, "we-feeling."
30.	In the feudalistic tradition.	In the democratic tradition.
31.	Burdensome to both rater and ratee.	Interesting and enjoyable for all, like a game.

Organization Planning

How to Use This Important Tool

By JOSEPH M. TRICKETT

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MANAGEMENT has developed many so-called "tools" to facilitate the direction and control of business. Organization planning is only one of these tools but it is a prime requisite for effective management. As such, organization planning is nothing more than the formal recognition of the steps which management must take and the activities which must be performed if responsibility and authority are to be assigned so that not only are large numbers of people divided into manageable units but also in order that these units can work effectively together.

Why Organization Principles Are Important

The readers of ADVANCED MANAGEMENT are thoroughly familiar with the basic principles of organization; they have read them, from time to time, in various articles on organization theory. Usually, however, these principles are so worded and so presented that practical management men can see few ways to apply them in their existing companies. While it is not the purpose of this article to expound organization theory, it is necessary to outline first a few of those principles of organization, but only to set the stage for the rest of this discussion and to provide some standards or rules as a basis for organization planning. This is important because *effective organization planning presumes a thorough knowledge, understanding and application of the basic principles of organization.*

Over a period of many years the experience both of successful and of unsuccessful group effort has validated certain organization practices. Successful groups have adhered to or applied common practices; unsuccessful groups have usually violated or failed to apply the practice. From this experience, students of management have evolved the so-called "principles of organization." Such principles are in reality the "fundamental truths" of organization for they are abstractions from the experience of many group efforts. It is these principles which must be recognized and applied in building new organizations and in evaluating or rearranging existing ones.

A word of warning should be inserted here: one usually is not able to apply rigidly all organization principles in an existing organization. Generally speaking, before an organization structure can be redesigned to fit the particular requirements involved certain compromises must be made between some of the principles and the ways and means at hand. There are always other factors to consider — available personnel, company tradition, personalities, temperamental problems, existing executive qualifications — and each of these will have a direct bearing on the type of organization job that can be done.

I have had the pleasure, on a few occasions, to apply what is perhaps the organization man's dream: that is, the opportunity to start with a clean slate and design an organization structure for a concern not yet in existence. I say that this is the dream of an organization man because he can, for once, approach his problem completely uninhibited. He can analyze the purposes of the proposed organization and apply all of the principles of good organization in designing the management structure. In a going concern, unfortunately, this approach is usually neither feasible nor wholly desirable.

The following list of organization principles is neither exhaustive nor all-inclusive. It merely represents some of the important considerations which have been found valuable as a basis for organization designing and which form a foundation for our consideration of organization planning.

1. The organization should be built around the main functions of the business and not around an individual or group of individuals.
2. Functions should be broken down so as to promote balance in the organization, while avoiding duplicated or overlapping functions, the neglect of essential functions and the overemphasis of non-essential functions.
3. Executive responsibilities and authority should be clearly defined so that the proper point of decision can be quickly determined.

4. Responsibilities should always be coupled with corresponding authority and the statement of this authority (and the limits thereof) should be as specific as possible.
5. Authority should be explicitly delegated and placed close to the point at which action occurs. This permits coordination and decision to take place at as low a level in the organization as possible.
6. The form of organization should be such as to permit each executive to exercise the maximum initiative within the limits of his delegated authority.
7. Wherever possible, line functions should be separated from staff functions and adequate emphasis placed on important staff activities.
8. The organization should be flexible and capable of adjustment to changing external and internal conditions. The possibility of expansion or contraction should be inherent in the plan.
9. Each executive should have a minimum number of major subordinates reporting directly to him. Most authorities agree that this "span of control" should be limited to five to seven direct subordinates.
10. Each member in the organization should know to whom he reports and who reports to him. Many readers will probably think this principle so self-evident that it shouldn't be stated here yet it is one of the commonest of all organization errors.
11. No one in the organization should report to more than one line superior. This simple statement may also seem obvious but it is one of the most frequently violated principles.
12. The number of levels of authority should be kept at a minimum. The greater the number of management levels, the longer is the "chain of command" with consequent length of time for instructions and information to travel up and down within the organization.
13. The organization structure should be kept as simple as possible. Again, this is one of the most frequently violated principles.

The Importance of Organization Planning as a Management Technique

Conditions in most businesses demonstrate clearly that management experience alone is not enough. A man may have twenty-five years of experience in a managerial position yet this may be of no more value, from an organizational standpoint, than one year of experience repeated twenty-five times. An example can be found in a company that I know something about. For our purposes, let's call it the Wilder Company. Mr. Wilder is a man of considerable ability and a strong personality. He works hard personally and he places the success of his organization above all other considerations. Also, he is conscious of the need for sound organization and, if asked, is quite proud of the fact that he has an organization chart for his company. During the war, the operations of the Wilder Company expanded materially with the help of war contracts. Not only did the Wilder Company obtain new buildings and equipment but the company at its wartime peak employed some two thousand people. Mr. Wilder, with the help of a war-time consultant, expanded his management organization correspondingly. Where before the war he operated a small, one-man concern with only a production manager, a sales manager and a staff assistant reporting directly to him, he now divided his organization into twelve so-called departments. At the end of the war, the following department heads and others reported directly to Mr. Wilder: Vice-President — Production, Vice-President — Sales, Personnel Manager, Controller, Treasurer, Purchasing Agent, Legal Counsel, Traffic Manager, Chief Industrial Engineer, Manager of Production Planning, Manager of Order and Service, Advertising Manager, Assistant to President and Special Staff Assistant. In spite of this elaborate organization, however, Mr. Wilder failed to delegate authority to his key subordinates and continued to make all major decisions himself. During the war, with the confusion caused by multiple governmental controls, changing directives, changes in contract requirements and specifications and rapid turnover of personnel, the results of this poor organization were not wholly apparent. Subsequently the Wilder Company has gone through its conversion period. Thus far the company has been unable to take its proper place in the commercial market. Mr. Wilder is working harder than ever. While his executive staff is giving him much of the information that he requires, even the most casual observer can see that they are working without enthusiasm and that the only spirit they display is directed toward sabotageing each other's efforts. Moreover, Mr. Wilder's health will not long permit him to carry on at his present pace — that is, trying to "know all" and "do all" in the expanded organization.

Many Firms Need Help

The Wilder Company is more or less typical of a great many concerns both large and small. In particular, many

Pacific Coast concerns have literally "grown up" in the last few years. The heads of many of these concerns, like Mr. Wilder, are men of considerable managerial experience, but this line management experience alone is not sufficient. These managements need help and it is of importance to all of us that they get the type of help that they need, that their job is made possible of accomplishment, that their horizons are broadened and, most important of all, that their companies stay in business.

The job of planning a management organization for a company is a major responsibility of the concern's chief executive. Likewise, the proper organization within a department or smaller unit of the concern is a responsibility of the department head or executive involved. As is demonstrated by Mr. Wilder, however, such line executives must have some specialized, technical assistance if they are to fulfill this major responsibility — and that's where specialized organization skills come in.

How To Get Organization Planning Started

In a large organization the actual starting of a formal organization planning program can probably be best accomplished by a general meeting of top executives at which the chief executive outlines the objectives of the program and appoints a responsible, top-level staff executive to direct the carrying out of the program. All of the responsible top executives should be thoroughly "sold" on the general objectives of the program and upon the results and benefits which will accrue to each of them personally. In a small company the necessary analysis and follow-through on organization planning may have to be the part-time consideration of an executive staff assistant. In any case, however, the one directing the program must have the full authority and support of the chief executive and both should become as familiar as possible with the technical phases of organization planning.

Another way to get started is to have an outside consultant come in to develop and install the program. In my opinion, however, this may have many disadvantages because the one who must carry on the program when the consultant has finished is usually not nearly so able to do so as he would be if he had been in on the development himself. Most consultants, moreover, are actually amateurs at organization planning since they only get to practice it now and then and usually in a "once-over-lightly" situation. Effective organization planning is a "continuing process."

In any case, there are several definite requirements for the launching of a successful organization planning program:

1. *Top-management support is an absolute essential.* In any organization there is naturally a certain amount of resistance to change. Only the chief executive will be able to overcome all of this and enforce the necessary changes. Also, there must be continuous follow-up and this requires top-management support.
2. *Maximum participation is also necessary.* Organization planning is not an "ivory-tower" activity. There is an outstanding need for active participation and cooperation on the part of all of those who are affected by the program. This brings up the question of the adequate selling of the program and procedures. Proper presentation of material and proper conducting of his own activities will do much to assist the one directing the organization planning program in getting the cooperation of his superiors and his coordinates in the organization.
3. *Specialized attention is probably so obvious as to be hardly worth mentioning.* Organization planning is a staff activity and should be under the direction of a capable staff executive who is thoroughly familiar with all phases of organization technique. Remember no plan will work itself. Adequate provision must be made for the continuous direction of the organization planning program.

Building Management Organization

Assuming that these prerequisites have been met, how do you go about building organization structure? Generally speaking, it is best to start at the top of an organization by defining the specific objectives of the company or organizational unit. For example, the objective of the company is to make and distribute steel and steel products; or it is to produce and distribute electric power. An analysis of this objective will indicate immediately the major functions required to fulfill the objective. Thus, in a manufacturing concern there is a production function and a sales function. The next step will be a clear definition of the objectives and requisite activities of each of these major functions. With these objectives in mind it is now possible to consider the positions heading each major function.

In analyzing the major executive positions a simple, brief questionnaire will be useful. Such questions as the following will provide the basic information:

1. What is the purpose or objective of your position?
2. What activities are required to carry out this objective?
3. What authority is necessary to permit the handling of each of the listed functions or activities?
4. To whom do you report?
5. Who reports to you?
6. From what sources do you receive instructions? Advice or counsel? Policy statements?
7. What are your relationships or contacts with other departments or branches of the organization?

The purpose of this questionnaire and its use should be fully explained to all executives at the top level and, subsequently, each level of management should explain the questionnaire and procedures to its subordinate levels. The proper handling of the questionnaire procedure will do much to insure cooperation on the part of all the people concerned. Each of them must feel that he is playing an important part in the organization planning. In fact, wherever possible, each key executive must feel that it is *his plan* and that the organization planning technician is merely helping him realize it.

The next step in carrying out the organization planning is assembling all questionnaires for a given level of management and analyzing them in the light of the basic organization principles. In analyzing the forms one naturally looks for duplicated and overlapping functions, neglected activities, unnecessary activities, a lack of clear-cut objectives, responsibility without authority, conflicting authority, too many bosses and too many direct subordinates. Following such an analysis the organization analyst is in a position to prepare, with the aid of the executive involved, a complete statement of the objective of each major function — manufacturing, sales, accounting, industrial relations et al. From his own background and from the information gleaned through the questionnaires, the organization analyst is now able to prepare a revised statement of the activities or functions required to fulfill each of the stated objectives.

The next step is the grouping of functions, or the separation of them, into manageable units. The subject of proper criteria for grouping activities — such as combining activities which have common purposes, separating activities that must provide an independent check or control, geographic groupings to facilitate good management, and separating line and staff activities where feasible — is too comprehensive to cover in this paper. This kind of logical, analytical thinking is required, however, if a sound plan of organization is to be developed.

Preparation of Charts

Once the activities have been grouped the next step is the preparation of functional organization charts summarizing and high-lighting the various groups of activities. From these functional charts it is easy to prepare structural organization charts showing the positions required to direct and carry out the various groups of functions. At this point, it becomes possible for the analyst, working with the department head or line executive involved, to prepare complete functional and structural organization charts showing the levels of responsibility and authority required. This is the time and place, moreover, to develop such other refinements as the number of levels of management required, proper internal salary levels, lines of promotion, intradepartmental relationships and sound channels of communication.

In completing this phase of the work, the organization analyst should place himself in the position of the executive who is in charge of the organization structure that has just been developed. He should ask himself such questions as the following, for they are the tests that the plan must meet:

1. Could I manage this organization?
2. Could I get my work done and still have time to plan the future of my unit?
3. Are my lines of communication to and from the "front line" as short as possible?
4. Have I provided for adequate coordination of separate activities?
5. Have I decentralized authority as much as possible?
6. Have I provided for sufficient control of essensential activities?

The final step is dressing up the plan for presentation to management, first, to the executive in charge of the particular unit and, second, to other members of the executive staff who are concerned. Here, adequate methods of presentation become extremely important. This subject of adequate presentation is also so broad and so important as to warrant special treatment in a separate paper. The proper presentation of its program to those who must use and apply it is perhaps the most important job facing staff management of any

kind. It has been said that most failures of staff activities — and personnel — in business are caused, not by improper objectives or intentions, but by poor "selling" and presentation of staff results. Successful and continuous organization planning rests almost entirely upon adequate presentation of results.

The Organization Chart

The organization chart is frequently thought of as the end-result of organization planning. Actually, the organization chart is only the beginning of organization planning; the end-result should be better and easier management. I have talked to many executives in numerous companies about their organization charts. Usually they will hunt around for a while and finally come up with a dog-eared chart dated about four years previously. They start out by saying, "This is somewhat out of date, but . . ." Then what good is the chart? The only thing more out-of-date than last year's organization chart is last year's newspaper.

In the second place, most charts are not properly drawn. They either do not show correct relationships or they portray impossible conditions; frequently companies even allow such charts to be published. To verify this you have only to examine the published charts of a number of nationally known organizations. In a majority of cases you will find charts which violate all of the principles mentioned above.

Finally, most organization charts are merely what someone assumed the organization to be and do not show what it actually is or, according to good organization planning, what it should be. In the past few years, I have talked organization to the heads of some large companies. Many of them do not even have an official organization chart and fewer still have a definite organization plan toward which they are working. The same executives can show you detailed engineering drawings for their new office building or plant; they will show you specifications and plans for their new products; some of them can even show you prepared forecasts of their markets. It is the management organization of each of these concerns which will have to carry out the economic and physical plans, yet most of the companies are doing nothing to plan their management organizations.

The procedure outlined above for starting and carrying forward organization planning should lead to better and easier management on the part of all concerned for these reasons:

1. Each executive has had to consider the objectives, responsibilities, and authority of his position. Usually, this is largely "new thinking" on his part but it will naturally increase his own efficiency.
2. Each executive will not only understand his own job better — he will have a much better understanding of the objectives of the organization as a whole and of the other organization units that are coordinate with his own. This means an improvement in the cooperation and coordination that are so necessary for real management "team play."
3. Some degree of agreement will have been reached as to basic principles and sound organization procedure upon the part of those who have to operate under the plan. This amounts to good executive training.
4. Executive morale will be enhanced because all executives will know where they are going and how they expect to get there; executive friction will have been reduced because of a clear understanding of their own and the other fellow's job; interdepartmental sabotage will have been decreased; passive resistance will have been reduced. Better morale at the top will have favorable repercussions throughout the entire organization.

Organization Control

For effective and continuous organization control, certain devices must be utilized so that both the chief executive and the departmental heads concerned are fully aware of required changes. Conditions change, both internally and externally, and many of these changes — in personnel, in operations, in markets—require organizational changes. It is well to remember that with real organization planning the organization structure will be sufficiently flexible to meet all such changes.

Another provision for organization control should be that the individual or the agency directing the organization planning program must have the opportunity to provide an unbiased consideration and review of proposed changes. This can be accomplished by requiring that the forms effecting organization moves be routed through the organization planning unit *prior* to top-executive approval. This permits the organization staff to serve all of top management as a reviewing and recommending agency.

There should also be provision for periodic organization surveys or "audits." Departmental executives should be encouraged to seek and ask for such surveys on their own initiative and for their own benefit. Here also the

organization planning staff stands ready to assist each line executive as an unbiased and neutral reviewing and appraising agency. These management audits should never be the responsibility of the so-called "internal auditors" in the financial or accounting departments.

Another technique is the development of an organization budget for each major organizational unit of the concern. In this case the department head, working with the organization planning staff, prepares an organization plan, a slate of present and proposed positions, and a list of salary ranges, salary normals and salary maximums. This proposal is finally approved by the chief executive for a period of six months or a year. Thereafter the department head is given full authority to operate within his budget: he has an "approved" organization plan, an approved position or force quota and an approved compensation budget. The opportunity for effective, decentralized management is within his grasp while top management has retained its necessary overall control.

The above remarks have outlined briefly the needs for organization planning and how it can be utilized as an effective management tool. A final thought is necessary, however, for there is one bit of fallacious thinking which many organization "planners" have fallen into. It is *not* the purpose of organization planning to build walls or fences between people, functions or departments — *the real purpose of organization planning is to facilitate and foster cooperation, coordination, and interaction between people, between functions and between departments.* An organization plan should make it easier for people to work together or it should never be adopted.

In the final analysis, we are dealing with human beings and people have to have the desire to cooperate. The most perfect organization plan will be ineffective in the face of non-cooperation and interdepartmental friction. On the other hand, a poor and inadequate organization structure may work very well where there is the proper executive morale, a real "team spirit," an esprit de corps. Good organization planning cannot force people to cooperate but it can make cooperation easier for them. One may well ask why more managements aren't utilizing this effective tool to improve their internal cooperation and coordination.

Organization and Conduct of the Joint Production Committee

Chapter III of Labor-Management Cooperation*

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THE FULL potentialities of all-out production will never be achieved if management, supervisors, and workers lack confidence in each other. Joint Production Committee experience shows that a union is needed to develop a fully organized production team—one in which workers and supervisors have a chance to play their full part. But some managements still fear unions. Where management does, its fears quickly penetrate down the line to supervisors and workers. That is quite natural, since management is the plant leader.

Its position of leadership places on management the primary responsibility for finding ways to inspire cooperation. To prove that the job can be done requires imagination and initiative. It is therefore necessary, as a first step, for top management, with all its authority and influence, actively to support—if not take active part in—the Joint Production Committee.

Finding the Nuggets

The second responsibility is that of labor's leadership. Labor leaders, like managers, can usually talk well, get along with the fellows, and to a large extent work and associate with others similarly possessed of an aptitude for self-expression. Therefore, when the time arrives for setting up a Joint Production Committee (which has a different sort of job to do from that of any previous union activity), they are apt to recommend or select worker representatives who are not necessarily best fitted—by temperament or otherwise—for this special task. Ability for self-expression is not necessarily the best equipment for JPC workmanship. To assure that JPC will stay within its prescribed purposes, someone with collective-bargaining experience might be included. But the human gold mine of abilities in this field lies somewhere in the great mass of the workers in the plant, whose special abilities are often overlooked by labor leadership, as they are by management.

It is therefore often necessary and desirable to "screen" the group in order to find the nuggets for joint committee activities. Given a little thought, there will nearly always be found workers whose abilities are recognized by the other workers, but who have been left unrecognized by both labor and management leadership just because they are not the type to make themselves heard. These are usually the quieter workers possessed of various skills and aptitudes (often great teaching skills), whose integrity commands respect. They are the ones to put to work on the production committee.

How find them? Besides discussions at meetings where such qualifications are brought out, it is sometimes advisable to circularize leaflets in which is stated simply and concisely the why and wherefore of JPC and when it is proposed to start. (Bulletin boards may also be of value, but they are usually too well worn a device; a more personalized appeal better expresses the spirit behind JPC.) Somewhere in the plant the genuinely interested workers will come to realize that this appeal is meant for *them.* And when convinced that the appeal is genuine, these workers will more readily respond and give much better performance and continuity to JPC's work than the ones chosen on a more perfunctory basis.

Selecting the Worker Representatives

Since JPC calls for special aptitudes, direct election of worker members is a risky method. It is perhaps better at first for the union's executive committee to select the JPC nominees, subject to final approval by the membership after the qualifications necessary for the work are explained.

Those responsible for initiating JPC will be sure to

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take advantage of the union's resources. For union officials can be of considerable help because they understand the workers and the workers trust the union. These officials are the proper ones to explain JPC to all local union officers and stewards and to assure them that it functions in a field that does not trespass on their respective duties. So it is important to get the local union officers and shop stewards together for one or more meetings of their own. The purpose of JPC can thereby be worked out with them and any confusion of authority cleared up in advance. When this is understood by the local leadership, considerable time can be saved in union meetings when JPC is presented to the entire membership for final approval. An approach of this sort serves to forestall criticism that "JPC is being put over" on anyone.

Winning Supervision

The problem of obtaining the supervisors' support is different. While there are not so many of them, they are as a rule more timid and more conservative in their habits of thought. Thus they usually need far more reassurance about JPC than do the workers. They can get this assurance only from top management, which should provide them with ample opportunity to discuss their reluctance, under conditions where they dare to express their frank opinions of the policy of management or the union. Probably they will not want to do so in the presence of union representatives, of some other employees, or perhaps certain of the higher executives.

Since supervisors know that they will not be free to ban the plan, it would be meaningless to ask them to approve it. But on the other hand, the top executives may ask junior executives and supervisors to suggest angles which should be considered and freely to express their doubts or fears, so that the final program can be practical and acceptable. Here again there is no reason to "railroad" the plan through. The patience of the top executives in discussing objections at this stage helps demonstrate their earnestness and determination to support the new policy when in effect.

Supervisors who have learned to work with any sort of advisory staff (such as an employment office) are more easily reassured about JPC than those who have never done so. Probably the most important yet subtle step in the art of organization up to this time has been the grasping of the simple fact that advice can be accepted without weakening one's authority or losing face.

As with the workers, discussion by supervisors in smaller groups may be most important. If there have been poor executive relations, a visit to some other plant where JPC has had a good start may be helpful. But whatever supervisors may observe elsewhere, it is the viewpoint of their *own* superiors which most concerns them and of which they are most aware. So it is always the top management which must provide them with the reassurance they most crave before they can enter fully into new policies.

If the individual or group proposing JPC has done a good job, not only in its planning but in obtaining the help of top management, support of the supervisors will be relatively easy to obtain. But if that planning group simply *assumes* the latter's support and takes no pains to time the supervisors' conferences soon after the union's approval of the program, the intervening delay may harm its efforts to obtain good support from supervision.

Developing Responsive Attitudes

Good JPC meetings are vital, since through them are initiated or coordinated the cooperative activities of the production team. In the early stages the entire initiative rests with the top committee to make the program work, to facilitate the workmanship of subordinate groups, or to improve their structure, methods, or representation.

How then make the JPC meetings *produce*? Plants or their respective departments may differ widely in technical and managerial methods. Much attention is therefore given to the attitudes which are so important to productive achievement; to the value of cooperation as a means of serving one's constituents or principals; and to one's conduct with respect to the other fellow's views.

Said Will Rogers: "You never can tell what a man is thinking of when you are looking at him. You have to get behind him to see what he is looking at, in order to understand him." JPC makes this possible. Because of its closeness to the workers, and at the same time to management, it can most quickly get to the bottom of each problem. The more successful JPC's have taught their associates first to tolerate, then to respect, and finally to help one another. It opens to workers and supervisors new ways of usefulness, most valuable of which is the cooperative attitude—the real key to productivity.

Participation on JPC does not imply an easy-going yielding of one's viewpoint. It does mean getting behind the other fellow to see what *he's* looking at. From that angle there may be some real merit in his

ideas. This is where the good is sifted from the bad; the common ground upon which a mutually satisfactory solution may be reached.

Because all grievances and wage rate discussions are delegated to others, JPC soon learns to drop the "trading" attitude with its more or less innocent pretenses and exaggerations. Instead, its members learn to look for facts, to be judicial and tolerant in discussion, to respect the other fellow's viewpoint as long as it is sincere.

During early JPC meetings the spirit of mutual trust is no more stable than so many dominoes on end. If disillusionment topples one, several others may topple also. However, every case where cooperation brings good results naturally strengthens faith in the value of teamwork. Since it is evident that wherever honestly presented the majority *wants* it to succeed, any failure to cooperate is easily detected.

In earlier meetings, each member may often be looked upon merely as a spokesman for his principal. The thoughtless word of the newest foreman may be taken as the final judgment of top management. Labor members too, must guard lest anything they say be taken for established union policy. Usually, neither side has such completely worked out views on every detail of policy. Unless this danger is fully realized, JPC members may credit their opposites with much deeper meaning than is really warranted, and offense may be taken where none is intended.

An effective way for JPC members to overcome this difficulty in the early period is for each to assume that the other fellow is "on the level." It is better mistakenly to give too much credit to another's motives than to show distrust at the wrong time. This is not to blink at obvious lack of cooperation, but merely to give the other fellow the benefit of the doubt. The doubt can be resolved by asking for an illustration, or even by clearly stating one's objection to his proposal, perhaps qualifying it with "If I understand you." An illustration often saves everyone's time and avoids futile argument about different problems.

Suspicion is JPC's greatest obstacle. At first, when antagonistic relations and subterfuges still linger in men's minds, it is somewhat unavoidable. To expect more is to expect a miracle. JPC's most important job therefore is to overcome suspicion; in fact, its possibilities are determined by its ability to do so. Its members can gain satisfaction from rendering a service to all concerned, and in the assurance that the first few meetings are the hardest.

One way to dispel suspicion is to arrive at an understanding on what matters are to be discussed. Members should be enabled to examine carefully each proposal before they are called upon to express an opinion. Where a proposal seems dubious or frankness at the moment seems impossible, inquiry before the meeting will soon disclose the impropriety of its discussion in a joint meeting.

Meetings are best conducted without haste. No appearance of "railroading" should be tolerated. By their conduct, proponents of a given measure must demonstrate their own assurance that a satisfactory solution *can* be found. Should any objectionable feature arise, every reasonable precaution must be taken to thrash it out, thus avoiding future misunderstandings or mistakes.

One excellent reason for having some veteran negotiators as JPC members is their ability to maintain conformity with policy previously formulated.

And a little humor as the oil of life helps smooth troubled waters. It will often rescue a meeting from a quarrelsome issue. The ability "to see oursel's as others see us" is always useful. It provides a sense of proportion and a chance to see the lighter side in critical situations.

Try as it will, JPC may yet fail to dispel all suspicion, where grounds for suspicion still persist. In some cases management gravely injures the usefulness of its respective committees by pigeonholing without explanation proposals which had previously been approved by management itself. Where lack of cooperation is fairly evident and a problem seems insoluble by other means, it may be well to place a brief statement of the difficulty in the minutes. This calls it to the attention of those responsible, and requests clarification of their position.

Advance Agenda

It is good practice to distribute the proposed agenda well in advance of meetings. Before the chairman begins, he may ask for other subjects which members wish to bring up and—*hearing no objection*—add them to the agenda. This practice also makes it plain that no one is trying to make use of *surprise* to speed a decision before the other fellow awakens to its possible consequences.

Still more important, advance agendas make it possible for JPC members to communicate with workers or supervisors directly concerned with the given problem and to obtain their opinions. It is not unusual to invite one or more persons to the meetings, when their views or experience should be considered. Nor is it unusual

to post copies of the agenda in the plant to invite ideas and to assure penetration to all in the plant; the agenda, so used, can act as a powerful searchlight for JPC. It helps discover new talent, and shows far in advance the direction in which the committeé is working.

The Chairman's Job

But of a good leader, who talks little,
When his work is done, his aim fulfilled,
They will say, "We did this ourselves."—Lao Tse

Most important in the success of JPC meetings is the skill of the chairman. As a "good leader" he makes his members feel that they achieved it themselves. His job is to see that the group produces results which are genuinely satisfactory.

Some work he may delegate. He can have someone make the proper physical arrangements: a quiet room, with comfortable chairs placed so that each participant can hear, talk to, and face all the others. Since sketching or figuring is necessarily part of JPC's language, a blackboard is essential.

But most important is what the chairman does himself. His preparation for the meeting includes careful consideration of the sequence in which the several agenda proposals are handled. He may set the subjects in proper sequence and yet be ready to change the sequence on request. When a problem has been widely discussed in the plant, the members may be eager to take it up in preference to any other which intervenes. Complicated subjects are often put early on the agenda, when everyone is fresh and unhurried.

Also, the chairman should analyze the subject matter. Some may be troublesome unless previously defined. The chairman can keep ahead of the committee if he is himself prepared. While he decides nothing, he can often help by putting questions to the group when it seems hesitant or fails to make progress: "What are the obstacles?" "How can the obstacles be overcome?" "Do we need more facts to help us decide?" "If so, who has the facts?" He avoids saying "We should get the facts from Jones." It is more acceptable to say "Is there anyone better able than Jones to help us on our facts?"

The chairman can provide the guidance and yet not make a single decision himself. He is invaluable if he thinks over in advance such questions as: What issues are likely to arise as Item No. 1 is discussed? What questions will clarify the position of those who object? Who can help in weighing the technical aspects of this proposal or of its counterproposals? Should a special team be selected for a more thorough study of the problem?

Conducting the Conference

While advance preparation greatly influences the meeting, the chairman's attitude is even more important. He needs to win everyone's respect for his candor. During the early stages it would be wise, if it were practical, to have a neutral chairman, one whose career is involved with neither the workers nor the firm. But experience shows that this is unnecessary where a chairman does not try to make decisions but devotes himself to serving the group.

His manner and approach must indicate his faith in JPC. Doing this well, he soon discovers appreciative allies to help him. But if he abuses his position, two things may happen: The entire group may at once take sides, and any resentment connected with the proposition may promptly be directed at the chairman himself. He may admit at the outset that he favors a specific solution, but that he is trying not to influence them towards a hasty and ill-considered decision. He may even ask the other conferees to warn him if he "forgets himself."

Neither is it wise for the chairman to exhort or preach. This wrecks the atmosphere of equality, just as taking sides injures the ideal of truth-seeking that is fostered by joint discussion. Though the chairman may possess special information, he should not offer it unless there is no other way by which the conferees can easily obtain it. Under those circumstances, he should request the group's permission before he gives the information, and step out as presiding officer while presenting his own views. He may request another to act as chairman, preferably someone with the opposite viewpoint. This gesture makes it plain that he is departing from the chairman's job by giving his own views.

The chairman has much to do without either taking sides or furnishing special information. His responsibility demands of him an alert and discerning nature. To explore every thought, and yet insure that the meeting progresses without haste, calls for some ability. He must readily efface himself, yet be prompt to take part when necessary, with grasp and decision.

The chairman serves the group by keeping its meetings fruitful. He doesn't tell some speaker that he is "out of order," but makes plain what the subject is, what they are actually talking about, and that they seem to be off the trail. He then asks whether they

wish to continue, or return to the original subject. Thus he alerts the group: they either back up the talkative member; or the offender is called to order by his fellows, not by the chairman himself. This *group* discipline, mild as it may seem, is helpful and informing to talkative characters.

When a discussion which appears off the beam seems more important than the regular items on the agenda, the group may resent it if the chairman cuts off discussion on his own initiative, just when their interest may be at high pitch.

One interesting way to keep discussion on the beam is suggested by Mr. Jack Wolff in *The Production Conference.** He suggests placing three columns on the blackboard, headed: (1) Objectives, (2) Obstacles, and (3) Solutions. Filling in these columns as the discussion progresses may be of considerable help in keeping on the trail.

He also suggests a time limit on each factor, useful perhaps where time is scant. For example, the objective may be allowed five minutes, twenty minutes for naming of obstacles, and eighteen minutes for solutions. If the time is set by common consent, so that all feel an interest in meeting the schedule, it may have real value. Unless, however, the subject matter has been previously covered by the group, or it is experienced in such techniques, it is unlikely to gain much by squeezing within narrow time limits the amount of discussion the subject requires.

In most cases the chairman can keep the meeting vigorous if he sticks to the idea that the *group* decides. He may bring up ideas, suggest sources of information or ways of testing a difference; but the group says "Yes" or "No." On that basis the chairman can be candid and expect frankness from the group.

The greatest danger is apathy: The subject may be unimportant compared to some other, the conferees may believe that the decision will be made *for* them, or they may not realize the importance of the subject. The chairman never pleads with the group for its attention. He does need to convey the thought that they each have little time to waste and since this subject seems unimportant, request their opinion on passing on to the next one.

With respect to the use of time, the group should also be sovereign. It must be, to be fully useful. No one can generate thought by giving orders. And the chairman, far from being an offender in this respect, takes pains to protect the spontaneity of the group, for that is its greatest motive power. When pains must be taken to get the best thought out of the group, a quiet member may provide a "lift" for the discussion, but is not likely to unless asked at the right time, as the chairman observes a glint in his eye more expressive than the spoken word.

The chairman should insure that JPC recommendations are reported to the management, and that they are neither misunderstood nor neglected. He knows that failure to act on its recommendations will ruin JPC's morale, make its members feel futile, alienate them from top management, and wreck the whole project.

If enthusiasm declines, the chairman must restore the original teamwork. He may do this by a tactful approach through some strong and loyal management representative, or by having union leadership and top management once more get together. This dilemma is further discussed in Chapter V.

Thus, the chairman's job calls for qualities of a high order. This is especially true while JPC is young and its members are new to JPC habits and harbor old grudges. But the chairman who takes his task of preparation and conduct of meetings seriously will soon find that the other participants can and will help him. They will learn to avoid dogmatic statements. They will learn to listen with open minds. They will adopt the point of view of inquiry and research. They will help the chairman obtain results as they realize in practice the values of teamwork.

Getting Results from Meetings

JPC must be an instrument of the entire plant staff. Its ideal should be to extend its influence to every person and to have it felt *continuously*. It approaches this ideal as it gradually shows the many different ways in which it can be useful.

One plant, unaccustomed to high tolerances, was faced with a costly rate of rejections. Several workers claimed they understood the cause but were unwilling to help unless assured of the union's protection, as they feared supervisory discipline. With the union's promise of such protection, it soon developed that the die-cutting surfaces were accurate enough, but that they were not uniform on the die blocks. This caused a variation of several ten-thousandths of an inch between the end of the die and the cutting edge. The die setters, themselves inexperienced, had not been instructed to allow for this kind of variation. Through this discovery spoilage running as high as fifty percent was eliminated.

In another plant, racks were used to hold duplicates of small parts while they were being pickled. But the

* Pp. 54-66.

racks themselves corroded rapidly in the pickling bath. To eliminate this waste, JPC got the laboratory to recommend a more suitable material for the racks.

In a third plant, bad blood developed regarding the responsibility for excessive spoilage on a part requiring high accuracy. The chief inspector and the superintendent carried on a long dispute over its cause. The inspector charged that the workers did not really care and that it was "up to supervision to make them do so." The superintendent denied this, but at the same time caused his foremen to believe that the trouble came mostly from carelessness on the other shifts.

The matter was brought to JPC in the form of a somewhat futile suggestion which involved double penalties for work rejected. But JPC wisely appointed a special team to look into the broader problem. It was composed in part of the same people who had been quarreling about the matter, but it had two advantages which they lacked by themselves. It had a chairman—one person responsible for getting results—and it had workers' representatives. The worker representatives found that the operation was performed with more than reasonable care, at least "since the heat was on," but that the inspectors' gauges did not correspond with some of those used by the workers. This possible source of rejections was confirmed by tests. The worn gauges were replaced and, before disbanding, the team set up a routine for periodic checking of the gauges to prevent further waste and friction from this source.

In a continuous-process plant, JPC had divisional committees. In one division, management needed what seemed like an impossible pickup in output to meet its commitments. There was no time to build a new plant, so JPC was asked to do all it could. The divisional committee nearly quadrupled the output under its jurisdiction by well-directed analysis. The division chairman conferred with his other members to find out which operation held up the flow of the chemical. Usually one or more suggestions would settle what could most practicably be done to increase the flow at each point. As the chairman was also the executive head of the division, the findings were adopted without further need for approval. Widening the bottlenecks by this procedure at one point after another provided sufficient materials to meet the promised shipments.

In these four cases, it will be noted, four different resources of the plants concerned were used. In the first, one of the union's unique possibilities, that of protecting the workers from ill-advised discipline, was all that was necessary to save the company from serious loss. In the second, the company's laboratory provided technical advice. In the third, a new combination of viewpoints was formed with a responsible chairman. And in the fourth, the procedure involved only those most intimately concerned with a given process.

The procedure used may, of course, differ in many ways from those illustrated. Unions have many resources and possibilities besides that of worker protection. Technical advice may be obtained from the laboratory or other sources. The cost department, the methods or sales departments, and outside institutions may be called upon for help. The many problems that come up may include matters of quality, of economy, of "dispatch" or meeting promises, of safety, or of workers' health.

In most large plants JPC can multiply its effectiveness by utilizing subcommittees or special teams. It increases its usefulness by learning to use the many resources at its disposal. It works on problems itself, but also constantly strives for greater participation by others. It discovers that the operating problems brought before it often supply means for doing just that. For example, a shortage of box trucks involving several departments was reported in one plant. JPC asked the workers and foremen to help find out just where their trucks were unnecessarily held up and how to improve the routine. The workers explained the trouble and they proposed remedies. Having participated in its solution, workers and foremen readily carried out the new routine, and both gained from this one improvement a more accurate idea of what JPC was capable of doing.

Conceivably, JPC might have two chairmen—one from each group—who preside alternately. If, however, the chairman is well respected and considers his job to be principally concerned with *guiding* the judgment of the group, one chairman will be more satisfactory, and under such conditions it makes little difference which group he comes from. In any case, it is customary to have the secretary chosen from the opposite group, to balance responsibilities.

The Secretary

The secretary's duties can be clearly defined from the outset. In addition to keeping the minutes, he may aid the chairman by notifying the members well in advance of each meeting and providing them with the agenda. He can make proper arrangements for the place of meeting and see that follow-up reminders on pending matters are made to those concerned.

The management helps "tool up" JPC by providing a stenographer to take down the exact wording of important statements and of all formal motions.

In some plants JPC is also provided with a follow-up man, who sees to it that matters initiated are acted upon as directed. Thus an idea which calls for the judgment of the master mechanic is taken up with him by the follow-up man, the question explained and his views noted for the next JPC meeting, or for reporting back to the chairman or secretary. Sometimes several executives' opinions must be obtained, or certain people brought together for advice on whether a given idea should be accepted or modified before adoption. The follow-up man can arrange for a time convenient to them, make plain the problem, and report their findings.

As a rule this would not be a full-time job. But it is often an excellent way to assure that JPC deliberations are not ignored through inattention by those to whom such problems must be referred. This follow-up man might be termed an executive secretary or assistant to the chairman.

Keeping the Minutes

Minutes of JPC meetings serve as its record of unfinished business, as well as of finished business which, however, may need follow up. Minutes also serve as a spur to those designated to act upon a given matter. After a lapse of time, as a subject is brought up, its members will act with greater confidence if their memories are refreshed from the record on the how and why the previous decision was made.

JPC finds its minutes useful in another important direction. They serve to invite the interest of the workers, most of whom are not members of any committee. They serve as a clear and direct source of information for workers and supervisors on what subjects are currently under discussion, and what subjects are not. Neither group will take a serious interest, even in the work of their own representatives, unless they are kept properly informed as to what is going on and made to feel that their advice is taken seriously. In addition to posting the minutes, JPC members, as true representatives, discuss the pros and cons of the problems in hand with those concerned in their respective groups and invite their comment and advice.

There are of course many subjects on which the workers cannot fruitfully advise. But the worker is closer to many problems than anyone else. He may have been mulling over a problem for months. He may therefore know good ways to overcome its obstacles. Only where workers are kept fully informed, through the minutes and other means, are their efforts likely to be brought to bear on the problem.

Minutes have to be carefully edited. Free discussion may be limited unless certain somewhat personal happenings are omitted from the record. Nothing is gained by letting it appear in the minutes that Mr. A lost his temper. On the other hand, honest, meritorious differences should be recorded and posted because they disclose basic issues of policy which should be understood and studied.

One plant, for example, had a policy that nobody was to be laid off as a result of JPC's efforts to reduce production costs. When workers were no longer required on a certain operation, they were carried until they could be absorbed—through vacancies when others quit their jobs or through promotions, expansion, etc. When the situation of three such workers in the packing room was mentioned in the minutes, certain useful results followed. Some workers realized for the first time that a progressive policy had been established with respect to technological unemployment. It also challenged others to point out how these three packers could be usefully employed on other suitable work.

Levels of Cooperation

Besides learning how to get people to work together, JPC members soon discover that there are several levels in the "ladder of understanding." They soon acquire the ability to size up where each of the participants stands and how far up the ladder of understanding each has climbed.

At the first level, Jones (because he is expected to), "feels compelled" to discuss a plan with the other fellow in order to ask for his help. "I will be lucky," says Jones, to himself, "if I don't have to argue with that guy about that fool idea of his."

On the second level, Jones discovers that the other fellow *can* help; either because of his own ability and understanding or because, as the most trusted member of his group, he can best explain the plan to them and thus obtain their cooperation for its adoption.

It takes a still higher rung on the ladder of understanding to realize that the other fellow may actually improve on your own work; not necessarily because he is brighter, but because he has a different "angle" based on different experience.

Developing Powers for Decision in Business Education

By J. DON MILLER, Jr.

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A KEY function of business management can be described as decision-making. Stockholders or entrepreneurs are the risk-takers, but managers are the risk-administrators. Active business managers must make the decisions of a general policy nature as well as those on the day-to-day level of operating and administrative detail in order to keep a business operating as a going concern. Business managers are experts in decision-making. While they may have special knowledge in law, finance, personnel, or salesmanship, administrators and managers must have qualities other than familiarity with technical information to make the many decisions required of them.

This capacity for decision-making which business managers possess is not a sixth sense or some mystical faculty which they have; rather it is a particular mental orientation to a problem. The capacity for decision-making represents a certain psychological approach to a difficulty. It is a way of mentally sizing up a matter in question, quickly organizing available information, appraising various possibilities of solution, and then selecting one and starting a program of action to fulfill the decision. This process of decision-making is a particular way of thinking. It is a specific psychological orientation to problems which is found widely among business managers and executives. The situation was strikingly outlined by Mr. Charles Schwab who instructed his executives: "Don't come to me for a decision. Come to me with a decision."

Business Administration Schools

The supply of managerial ability with this psychological faculty for decision-making has always been scarce; numerous methods for training have been devised to increase the supply and improve the quality. One of the best organized plans for training business managers has been that of the colleges of business administration established in numerous universities. Their plans of curriculum and their methods of instruction have been modeled on the traditionally accepted college and university methods of instruction developed through centuries of experience in higher learning. This has been an attempt to apply the methods of teaching found so successful in other academic fields to the problem of business administration. There are approximately sixty schools of business administration formally established and many other colleges have a system of courses directed to this end.

Apart from this method of formal education, most business organizations have some sort of a plan for selecting young men for entry management jobs and for developing the most alert and responsive ones into future managers and executives. Such a program may be well organized and elaborately planned, as was the Goodyear school, or it may be informal and largely hit-or-miss, as in many business organizations.

Both of these methods are subject to frequent criticism; there is a feeling among business men that the methods are not fully meeting the training need for managers and administrators of a professional calibre. The adequacy of these methods of instruction for business management can be evaluated by reference to their effectiveness in developing the powers for decision in men seeking careers in business. This decision-making ability is not embodied in a set of rules or precepts but represents a particular psychological approach to problems. If training for careers in business is to be successful it must be aimed at conditioning men's minds to make decisions. It must be directed at developing certain patterns of thinking among students of business administration and junior executives.

Not all business decisions are successful and a decision often can only be judged successful or unsuccessful in retrospect. There are unpredictable factors which often thwart a decision. However, a good decision is one which meets certain conditions and by experience is considered to have a good chance for success. A good business decision is not a move or an action picked out of thin air or selected by chance; it is not a mystical opinion of some executive arrived at by some unknown process. Good business decisions always meet four conditions which can be analyzed. Appreciation and understanding of these conditions is a habit of thought, a mental process, which is associated with men in responsible management positions. A man does not achieve a position of managerial responsibility by wishing for it, studying or working for it alone. His mental outlook and orientation, his processes of thought, his whole personality must be equal to the demands for decision-making which is the re-

sponsibility of active managers. Training and education for positions of business management must be directed toward the developing of these proper mental processes.

Four conditions of a good business decision may be described as:

1. *Knowledge*

A good business decision must be made on proper and adequate knowledge of the circumstances involved. A business manager may not know all there is to know about the matter at hand and he may not know as much as others know about it but he must know and interpret the fundamental and necessary information as a background for a decision.

2. *Group participation*

A good business decision is not made in a vacuum nor solely on the basis of impersonal facts and figures. Any business organization is a group activity touching the lives and efforts of many individuals, such as other executives, employees, their wives and families, customers, vendors, competitors. A good business decision cannot be made by overlooking, ignoring or affronting the interest of people who will be affected.

3. *Timeliness*

Good business decisions are made with an eye on the clock or the calendar. Decisions must fit in with the hourly and daily progress of other events. The sun will not stop for another Joshua and a business will not hesitate long for a decision from managers. Successful executives have a feeling for the time factor in decisions and they are mentally oriented to schedules and the timely march of events.

4. *Leadership*

As a condition which includes these three outlined factors there must be added inspiration or leadership. By his grasp of knowledge, his appreciation of the interests of numerous groups and his feeling for timely action, the successful business manager also breathes a spirit of inspiration and confidence into his associates which develops their enthusiasm and loyalty to go along with the decision. The manager is the boss but he must also be the leader inspiring the ready acceptance and cooperation of followers. A good decision carries the followers along with the leader.

A good business decision meets these four conditions. If it fails in one or more of these conditions it fails as an effective decision. In so far as these conditions can be analyzed, understood and interpreted, so the framework of business decisions can be presented to students and trainees in business management. It is questionable whether anyone can be taught how to become a capable business manager but those who have abilities in this field can be helped and instructed how to improve those innate abilities and to avoid some mistakes in the learning process. By using these four conditions as tools of inquiry, the system for training of colleges of business administration and of business organizations can be examined and evaluated.

1. *Knowledge.* In meeting this first condition of decision-making, the university system ranks high. Colleges and universities have been foremost in collecting, analyzing and interpreting the many facts, data, and relationships of our business life. Their libraries, text-books and investigations have been full of the facts and figures of business activity. Much of the guiding spirit of our universities has been geared to the tremendous interest and investigations into scientific matters during the last half-century. No other period in the world's history has seen such an accumulation of knowledge and facts as has occurred in the field of the sciences. The academic world of colleges and universities has both led and at the same time been influenced by this spirit of relentless accumulation of knowledge. In the field of business administration the same spirit has carried over from the scientific work. Our colleges of business administration have been active and successful in developing knowledge and facts about the business world. Harvard, Columbia and the University of Chicago among others have sponsored noteworthy studies and research projects of investigation into business problems. Colleges of business administration are doing an excellent job in giving their students the known facts and information about their field of interest.

In addition to this knowledge of facts these students have caught from the natural scientists the spirit of relentless search for information. Knowledge is not static; one must always keep up. This spirit is carried on by our university system and disseminated among its students. In training future business administrators to make good decisions, schools of business do a good job in giving their students the knowledge and the spirit of quest for knowledge which is necessary to make those decisions.

Business organizations have developed several methods of gaining information about their problems. The use of consultants and information services is a regular way of keeping informed about current conditions. Some corporations have established research programs

in personnel, marketing, finance and general economic conditions. As a general rule most business organizations have available much information and knowledge to serve as a background for decisions.

2. *Group participation.* This condition of a good business decision is often less obvious than knowledge but nevertheless is just as real. Some of the facts which must be considered in a possible decision are not impartial scientific data but prejudices, ambitions and emotional sympathies of the people involved. A good business manager must sense and interpret these human reactions apart from the scientific data. The spirit of scientific investigation has a tendency to develop highly individual investigation and criticism in university study. College students are encouraged to work out their own individual analysis and appraisal apart from the work of others. They are taught to "think for themselves." There is an emphasis on independent and individual analysis and thinking. This has a tendency to develop a mind primarily concerned with its own investigations and conclusions. A business manager must not get caught in this trap of isolated thought development. He must always remain sensitive to the ideas, reactions and sympathies of others in his organization. His mind must remain fresh to these undercurrents and crosscurrents of opinions within the group.

University education of business managers should make compensation for the traditionally individualistic training of students in order to emphasize this condition of a good business decision. Training should be more on a group basis. Group study projects, group discussion and criticism, group examinations and group reports are teaching methods which would tend to develop a psychological sensitivity to the thoughts and reactions of other people. These suggested teaching methods are not new but are already being used to a limited degree in colleges and universities today. They should be expanded in the schools of business administration.

College life with its athletics, clubs and extra-curricular activities offers a fine opportunity for group activity and the many decisions to be made. Potential business managers find in these affairs a chance to try their own faculties for decision. Such extra-curricular functions should be promoted to provide additional opportunity for psychological orientation to group activity.

Within business organizations there is a constant and daily insistence by many individuals or groups for consideration in the making of decisions. Supervisors and junior executives are in a position where they must deal with a variety of people or departments. Their work, actions and minor decisions must permit them to get along with other people. Promising junior executives can be detected readily by their ability to understand and to shape their decisions to conform to group activity. Actual experience in working under guidance and supervision within a business organization provides an excellent opportunity to appreciate this group aspect of decision-making.

3. *Timeliness.* The condition of timeliness for a decision is the requirement that it fit in with the stream of events. Time is one of the stern taskmasters of all business managers. Schedules, appointments, engagements, and most activities are ruled by clocks. There is a constant pressure to keep one eye on the business at hand and the other eye on the clock. Delayed decisions may be just as necessary as quick decisions. The picture of the business manager always giving quick, rapid-fire decisions is overdrawn; some decisions have to be delayed to be effective. A decision may be correct in all its details except its timing; the decision may fail by being too early or too late. Union contract negotiations may be disrupted by an offer too early in the proceedings before one side is ready to accept; a price change may be too late for inclusion in a contract or a catalogue. Managers must be mentally prepared to consider this element of time in all decisions. Training for positions of management must emphasize this mental orientation.

College and university training presents a real handicap in this respect. The element of time or the existence of deadlines is not dominant in college work and study. One of the key features of university life is that it is removed from the main currents of active business in order to give time for analysis, research, reflection and thoroughness. By bringing in the element of time, college and university training thereby would lose much of its value. This lack of hurry and absence of deadlines is necessary for much of our scientific investigations but it is not so with business activities. The university trained mind is not well adapted to the time condition of business decisions.

The program of college training has a real difficulty here in trying to prepare men's minds for making business decisions. Quick assignments, strict adherence to deadlines and schedules are only minor methods of orienting minds toward this condition. Again it is in collegiate extra-curricular activities where various projects are promoted that the time factor is of concern. Here those students who are managers or leaders have to acquire a respect for time and the march of events in order to keep their program or project going.

For this factor, actual business experience is a good method of teaching the importance of timing to prospective managers and executives. Successful and unsuccessful decisions can be analyzed from the point of view of timeliness. Junior executives can have the opportunity of laboratory experiments in decisions when they are under the tutelage of a more experienced manager. In the whole of business activity time is of such tremendous importance that it is difficult to appreciate it except by direct contact.

4. *Leadership.* The final condition of a good decision is the intangible spark of inspiration which stimulates others to accept leadership of the decision and to join in a united effort to give it action. This leadership is a combination of knowledge, group understanding, and timeliness plus the touch of personal character which inspires the loyalty and devotion of others. Leadership is the fuse or moving spirit of a decision which starts action. It operates wholly on the level of emotional and spiritual values. Leadership breathes life and action into a decision. Without it a decision would die still-born. This quality is least of all subject to teaching and instruction. People who do not have it can doubtfully learn to exhibit leadership. However, those who have qualities of leadership can develop and improve those qualities by experience and conscious effort.

University training along academic and intellectual lines can hardly be considered adequate for leadership training. Most college courses of study do not develop situations requiring decisions and action. At best, guidance or inspiration for leadership can only be a by-product of knowing and meeting stimulating personalities of the academic world. The extra-curricular activities of sports, campus politics and club activities provide the best opportunity for those with leadership ambitions and qualities to demonstrate their abilities. Training for future business leadership should promote such opportunities for men to show qualities of leadership.

Principles of leadership can hardly be taught any better in a training program within industry. However, by its very nature of being a going concern, any business organization has many activities requiring leadership qualities in men. Production departments, sales departments, personnel, accounting, engineering — all such departments and units have day-to-day problems and projects. Like campus activities in the universities, these activities in a going concern offer opportunity for people with qualities of leadership to demonstrate their ability. One cannot learn leadership better in business but there are more chances to demonstrate and improve those qualities.

Ability to make decisions is not a faculty easily taught in universities or in business. It is questionable whether it can be taught like algebra or tool-making. It depends to a great extent on mental habits and personality traits developed early in life. These potential qualities of a manager and executive, however, can be sharpened and polished by proper training and education. The quality and the quantity of managerial ability can be increased. Both programs of business administration colleges and of business itself can be directed toward the development of men with the potential capacity for managers and executives. Both programs are needed because the lack of managerial skill is one of the critical labor shortages of our time. It is not good policy to permit executives and managers to be selected and developed by chance or by hit-or-miss methods.

The training programs of colleges and of business organizations must be sharply planned and directed toward the development of real managerial ability. The qualifications of good business managership must be analyzed and the contributions and weaknesses of the training programs of universities and of business must be evaluated. Their aid and their inadequacy in developing powers for decision can be a guide in the determination of their value for business training.

College education can give potential managers training and skill in the orderly processes of thinking. College training can give students of business administration a spark of the idealism and the never ending search for more information and better ways of living which is the valued heritage of our educational system.

A training program within a business organization can give a potential manager on-the-job training in the methods and practices of modern business. Such a training program if properly organized and directed can also give a junior manager opportunity to exercise and develop his own skill of decision-making in minor matters. Under some supervision he can be given the opportunity to measure up to the conditions of timeliness, group participation and leadership in these decisions.

If the programs for training business managers are ill-organized or unorganized, colleges of business administration and business organizations will be critical of each other's attempts to develop good business leaders. If these programs can be directed to achieve the real contribution which each can make and to avoid the shortcomings, they will go a long way in reducing one of the critical labor shortages of our time.

A Better Place to Work

By WILLIAM B. GIVEN, Jr.

President, American Brake Shoe Company*

THE retirement systems of today do a lot of things to many of us. With my sixty-first milestone just around the bend of the road, the sixty-fifth seems much too near. Although retirement may not actually happen on that birthday, at such an age you think more and more in terms of retirement, you think more and more of yourself sitting before the fire looking back on the years of your work life, thinking of your associates of those years, wondering what has happened to this and that plan, feeling what a thrill it would be to go back and be an important part of it all once more.

I can see myself sitting at home, walking in the country, lying awake with twinges of gout or bursitis; talking with some old codger who at least seems willing to listen for a while; reviewing our company's successes, recounting some of our failures.

In my case that review will cover thirty-seven years already behind me. The long period behind is now out of reach; and the period of future opportunities seems all too brief. Such thoughts make a man all the more anxious to give the best he has toward making his company a better place for the people who work in it and for the stockholders who own it.

Visualizing your period of looking back, you think even more than before in terms of the people with whom you have worked. You know there are still left endless ways you can contribute toward their welfare. And all of us know none of these is more important than making our companies healthier, safer places to work.

Industrial hygiene has up to recently been years and years behind medicine. That distance has been greatly shortened. But we in industry are still lagging. The organization which is our host today and you assembled here are continually giving us in industry new tools to use in making our plants and offices healthier places. Our job is to put them to use with high zeal.

Emphasize Human Side

I understand little of the technical. I am trying to find better ways for us in management to emphasize the human side.

Knowing only one company, I must talk about Brake Shoe experiences. All companies have much in common. I would like to talk about our company's failures and successes in trying to make each of our plants a better place to work. One fact must be admitted at the outset—our failures have been and still are due to management weaknesses, whereas our successes have come in the main from the Medical Department's successes in its fight for proper recognition of medical facts, the need for medical safeguards.

Our company is one with many small plants—sixty of them. Forty-two are foundries. The plants are scattered. In other words, the management problems are multiplied to an unusual degree. As an example, forty-two foundry superintendents must be made dust-conscious and must sincerely believe that safer working conditions warrant higher costs if higher costs are inescapable. Also, and even more important, they must be convinced that the bosses all up the line believe just that.

Edmund Burke said "no cold relation is a zealous citizen." We recognize that no supervisor who is cold to the health of his men is a good boss. The looks of a plant, the types of its accidents show up "cold" indifference.

Like most companies, we have been carrying on a safety program for years. There was a Safety Department when I was hired. Looking back, I feel that its establishment had mostly to do with costs. If the monthly reserve for accident insurance could be reduced, costs would be reduced and the prospect for profits improved. The top management was interested in its people but the drive on plant supervision was in terms of plant costs, not in terms of humanities. Plants were full of unnecessary hazards. The over-all record was bad.

Expense a Good Investment

Only in recent years have we realized that any amount of expense which makes a plant safer is a good investment. Only in recent years have we realized that there must be at the top a willingness to spend generously for safety and, in each plant, genuine enthusiasm for safety on the part of all supervisors. Today we do not think a superintendent or foreman who lacks that kind of enthusiasm is fully qualified for his job. Ability or know-how is no longer the only qualification for boss jobs; intelligent concern for the welfare of the workers is one

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of the additions to the requirements. Also, we have time and again found that the kind of person who heads the Safety Department is all-important. He must be a fine person with a high sense of the company's personal responsibilities to its people and, even more, he must feel his personal responsibility to them. He must have top qualities of leadership. He should also be part of the President's Department.

In our company the man happens to be our Treasurer. This extra burden—and it is a big one—obviously did not automatically go with the treasurer's job. It was the man, not the position, which dictated his selection some years ago. But he cannot succeed unless his top man, the company's doctor, has all of the many necessary qualifications.

As you know, the setting up of a Medical Department in a company is only step number one—and time soon proves it to be about the only easy step. In a company such as ours, where the sixty plants average only 150 employees, selling the importance of the plan to our 600 people in supervision is the really tough part. To succeed here requires toughness all the way up the management line of authority and all the way down that line. But we believe we owe it to all our people to be as tough as necessary.

Our Hygiene Department—we call it Medical—started in 1932 with the employment of an experienced industrial woman doctor. We learned much about Brake Shoe from her. Her reports included such frank items about our various foundries as: "The salient features of this foundry are its remarkably neat and orderly aspects —and the total absence of any washing facilities."

Another: "The toilet and changing facilities in this foundry are adequate—but there are no provisions for washing."

Still another: "One woman works in the core room and has for many years. There is no woman's toilet."

Yes, we did learn about Brake Shoe from our first doctor! Through the route of plant x-raying of our people, and dust counts, many needed improvements were uncovered and made. Looking back, I realize that in that period we had little conception of how far we fell short in giving our people proper working conditions. An earthquake did the trick and I am still ashamed of the fact that it was a money scare which woke us up.

The year was 1933. The company was in red ink for the first time in history. While I was returning from a plant-visiting trip to the Pacific Coast, a telegram was handed to me after the train left Omaha. It read: "Thirty-four silicosis suits totaling $2,700,000 have been filed in behalf of Chicago Heights employees."

I had a lot more hours of train ride to think that over! Visualizing the possibilities on the money side—this was only one of our then thirty-nine foundries—our tangible net worth was under $25,000,000. From the human side we in management thought we were doing a job of making our plants proper places to work. But the question on that train was: were we?

Then for a while I comforted myself with the racket angle. Some lawyer had spent lots of time building up the group and organizing this suit. On the other side were the questions: Were we really going all-out in eliminating danger? Did we as yet realize just what were the "possibles" in working conditions for our men? The answer to that was a definite "No."

On that train trip from Omaha I decided that it was time we went to school and really learned how to accomplish the "possibles" in industrial health.

During the next period of months we did not enjoy those law suits. Today I say they were one of the best things that could have happened to us and especially to me, a fairly new chief. From then on, improvements in working conditions began to get top priority in our company. In recent years we have never been satisfied for one moment and I hope our company's management never will be. Right now we are completing the abolishment of five bad foundries.

The modern foundry is clean and healthy, thanks to management's having been awakened to the situation and to the fine work being carried on by the Industrial Hygiene Foundation, which has formulated standards and suggested methods and practices by which these standards can be achieved. It has given us practical specifications for "a better place to work," and it will be our shame if our plants fall short.

Best Possible Working Conditions

We need not only better working conditions but the best possible working conditions. Today we have a new conception of what the foundry ought to be. First, irrespective of expense, we must eliminate the silicosis and lead poison hazards. Every part of every plant must be better lighted than even the expert says is necessary. Every possible safety hazard, irrespective of cost, must be eliminated. There must be cleanliness, good air and the best temperature possible to maintain.

There must be as little lifting and carrying as possible. There must be a decent wash and locker room, with ventilation so that men can shower and change clothes in comfort and not have to put on damp work clothes tomorrow. There must be a clean place to eat. As far as is humanly and mechanically possible, our job is to give

each man conditions we should like were we working in his place. This is not only a human obligation; it is the only way we can gather into our working forces decent, competent young men—the only way we can successfully compete for them with other industries.

Fundamentals are such today that competition as to wage rates has been largely eliminated. But there is still a basis of keen competition—"A better place to work."

If you "rate" the best people in the trades you need, gradually you will get them. As you do, costs will be affected and profits improved. Management has always known the importance of right people. In the old days you went out and looked for them. In recent years we have realized that to get them we must earn the reputation of being "a better place to work." In the future, no plant will "rate" the best people without a successful medical department.

If we are really sincere in this objective, management will be afraid not to give the Hygiene Department what it requests and needs for the successful operation of its program. For most of our foundries it has meant and will continue to mean, as medical knowledge advances, large capital expenditures. Recently I saw the cost of hygiene work last year in our comparatively small company. It seemed a lot—and then I thought back to that train trip from Omaha and was a little pleased.

In the old days when a capital expense was recommended, directors would ask "Will this reduce costs?" or "Will it increase capacity?" Today the attitude is different. We know there are many capital expenditures we cannot afford not to make, although of themselves they neither reduce costs nor increase production.

First among these are the plant changes which make healthier working conditions. As an example, we finally have reached the point where the purchase of expensive additional heating units, made necessary by more rapid exhaustion of the air, has ceased to be unexpected. In our own new Elyria, Ohio, foundry, in addition to exhausting at the source a complete change of atmosphere occurs every six minutes. On the shore of Lake Erie this does mean lots of heat units are necessary in the winter. That small plant is equipped with five hydroclones having a total capacity of 85,000 cubic feet of air per minute. Each week we remove sixty cubic feet of sludge. This represents a great volume of fine dust which in the old days would have been circulating in the foundry atmosphere, coming to rest mostly on beams, sills and floors to circulate again when the wind changed or such resting places could not hold more.

By and large, business problems are either arithmetical or human. Even if you are good with figures the human side gives more of interest, more disappointments, but to many of us most satisfaction.

Since the time I started in Brake Shoe, the President's job has greatly changed. In the early period his most important responsibility, and it took a very large portion of his time, was selling. Today's number one concentration is the problem of company people. It is now more important to concentrate on knowing them than on knowing customers. This human side seems fuller of seemingly unsolvable problems than does sales management.

We must build our human relations on the basis of the debt a company owes the people who make its success. This indebtedness is definite. It must and can be met.

The first requirement is to give men the right kind of bosses—decent fellows whom the men under them know to be square shooters. Such a boss has to be a fine human being if men are to like and respect him. They must feel he will fight his own boss, if that is necessary, to better their lot. He must be willing to stick his neck out for his men where necessary. These qualities are even more important today in supervisory positions than technical know-how.

Making a company "a better place to work" involves a respect for the ideas and suggestions of everyone to the point of being willing to try any suggestion that seems even a fair gamble. Where possible, employees should be consulted before making changes which directly affect them. A good example was afforded in our Denver plant, where the Industrial Hygiene Department designed a downdraft for a chipping bench. At the suggestion of our Industrial Hygienist, the man working on this bench was consulted for his recommendations as to the height of the bench and other details. He was pleased. This practice gives the man a very personal stake in the change and he is likely to strive that much harder toward its success.

We have had just the opposite experience at many plants where, for example, the men have not been told why it is important to keep upper windows closed with the result that they go around opening these windows, thus short-circuiting the entire ventilating system.

A management habit of treating every suggestion, every idea, with respect, gives every man the feeling of being an important part of his department—gives him something to talk about that night at home.

Visiting the Plant

A large portion of my time is spent visiting plants. My average has been fifty such visits each year—to an

average of thirty-five different plants. Backing the safety and hygiene departments is one of the prime objects. If the President himself runs into shortcomings, that helps. At each place there is time for a talk with our nurse in the presence of the superintendent. With him there, you get a chance to strengthen her hand—slip her an ace or two. You can tell her how important to the company are the human things she can do for company people. Since our plants are small, she gets many opportunities to help the families and you discuss this, trying to increase the amount of such help. Before going there you get tips on where she excels and where she falls down on her own "possibles." It is important to remind her that we have no better line of communication with company families than through her. They talk with her frankly. Every opportunity she gets to help in the home makes a closer tie with our people. When you can help a wife or a child in that home you are helping to build a better future in human relations.

When company doctors or nurses help in a supervisor's family you speed cooperation many-fold. One foreman, back after a two-year battle with tuberculosis, said of our Medical Head, Lloyd Hamlin: "Except for Dr. Hamlin I would never have worked again." There is a man who will help build our safety and hygiene success.

There is no better route to improve foremen's attitude toward their men than building interest in their health and safety and their line of communication is clearest when they talk with the man about his family and their health.

If that is your objective do not try doing hygiene work by edict. It can only be done by teaching. Before you can do a good job of teaching, you must know your students. The Medical Department must know the men in plant supervision or they'll get nowhere. That is rule number one if you doctors and hygienists are sincerely earnest in your work. The department's approach must be teaching—a minimum of telling. Remember, you teach a subject in which everyone is interested. That makes it easier. You know your subject, but in teaching you will accomplish little unless your student understands the fundamentals and is successfully sold on their importance. Often, talking in terms of his family and his friends best crystallizes the importance of prompt action. Progress is being made when operating people are making suggestions to the medical department.

What really matters is what happens to the man himself as he works in your plants. Planning safety and health is the simple part. Making it function effectively is another story. It is not only hard, it is harder than hard. It is one of the great challenges to management. There are thrills for you in the progress that is made.

We know medical research can solve the occupational health problems. We in management must effectively put to work their successes. The weak hygiene departments of today lack ability to be effective much more seriously than they lack knowledge of hygiene. In many cases this is because the head does not understand the human elements involved, and in many more cases it is because he has not the effective backing of company officers. There is no greater waste of material than an able medical head in a company where the tops have the right "patter" and the wrong hearts. Actually, the executive who isn't deeply interested in eliminating all hazards does not qualify otherwise in this period when human relations are at last getting the recognition due them.

Medical Department Hurdles

This brings us to our real problem. How are we to make effective today's hygiene knowledge? Let's recite just a few medical department hurdles:

The first and foremost of these comes in companies where senior officers do not feel or accept a personal responsibility for the department's effectiveness.

Second, and as serious, are not only the hurdles but unjumpable fences made by budget controls in many companies. Time and again budgets are deferring to tomorrow expenditures which for the men in the company are "musts" today.

The resistance which comes from operating people who suspect the medical people of trying to run their show.

Lots of other things need doing in a hurry; perhaps the new safety change will be forgotten.

A greater operating willingness to gamble on new production ideas than to gamble on the new ventilation "possibilities" recommended by an industrial hygiene engineer.

The lack of efficient and effective follow-up all over the company map.

It takes selling ability for this job but so for the family doctor does a "good bedside manner." Should we say in our work "a plant-side manner" takes good selling?

Health Should Report to Headquarters

In a jam, an impartial arbitrator is sometimes necessary—hence health should report to the Home Office.

There are many needs:

All the exhaust equipment in the world will not do the job unless it is properly and intelligently used. Foremen must be educated.

There must be willing cooperation with local and state public health departments.

There must be a willingness to help neighboring plants in every possible way.

It is wise to get workers' suggestions, for this helps acceptance of protective equipment where needed.

There is the responsibility to pool ideas with hygiene associations. It is the shortest route to evolving satisfactory corrective methods and thereby providing safe working conditions.

To the extent we can afford, we must support scientific research here as we do product research.

Again I say it is important that medical men, their industrial engineers and all on their staffs realize that they face a selling problem. The best sales people know that their first need is customer's confidence. You in the Medical Department need the confidence of plant supervision.

In our company each plant management has clearly shown an attitude of apparent cooperation. Confidence in the Medical Department continues to grow, but in many places the end result has been and still is procrastination. Time and time again changes have been postponed—immediately necessary changes from a human standpoint. There isn't one of those men who is not a fine human being, deeply interested in his people. But it is sometimes difficult to break down habits of mind, especially with the older men who have worked a long time during periods when other yardsticks were used.

Let me illustrate. Each Fall our Divisions submit in detail their capital expenditure budgets for all the next year. They are classified as "necessary," "advisable" and "optional." For years all items which improve working conditions have, under company policy, rated the "necessary" classification. In spite of that, last Fall I found many such expenditures rated as "advisable" or "optional." Again the tendency to postpone. They were all reclassified to "necessary" by me. I hope this will not occur again. Certainly some of our operating people will not forget last Fall's experience.

I should like to say a word about the kind of Medical Director it takes to look after industrial health. He should be a passionate and tireless combatant in his strife for better working conditions. He must feel in his soul a responsibility to every man, every woman in the company and to their families. He must have real qualities of leadership and must be a real fighter if the hygiene department is to succeed in its objectives. Between management and workers, he must visualize his responsibility as that of the workers' representative at the management table. He should be the kind a President takes orders from, the kind who gets a thrill out of backing against opposition—and incidentally it is helpful if the whole organization knows just that.

In one year I made three special trips on our company doctor's "orders"—twice to Chicago, once to St. Louis. Each time it happened to be impossible to leave New York during the week, so I left Friday and was back on Monday. On these three occasions operating departments were either not fully cooperating or were not in agreement with Dr. Hamlin's proposals. It happens I do not especially prefer such weekend trips and so in each case arrived r'aring-to-go. The Medical Department won hands down those three times and each of our ten Divisional Operating Departments heard new proof that top management was behind the Medical Department.

How effectively or how badly a Medical Department functions should be one of the many useful yardsticks for directors when they are wondering whether or not the company needs a new head. After all, the most important part directors have to play in management is promptly removing the senior officer when, over-all, he is found not up to his job—yes, and without wasting time about it.

By the same token, with today's competition for the most intelligent and efficient workers, stockholders cannot long afford directors who do not realize the importance of top health and safety conditions in their company's plants nor managements which do not spend whatever money is necessary to give plant people the maximum of health and safety assurance.

Let me admit that the "possibles" I have outlined represent high standards—but surely they are not too high. You doctors who practice the profession of industrial hygiene, you who research in this important field, and the Industrial Hygiene Foundation, are blazing a trail to greater security and productivity throughout industry. It is our responsibility to follow you, to make every one of our plants "a better place to work."

It was said of Edmund Burke that he "loved his country because of what he conceived it ought to be, as well as for what he held it to be in fact." For us in management there is a crying need to have you in industrial hygiene set your sights high as to what "ought to be" and in the present period keep high your hope, your courage, as you see more and more what we are "in fact."

Book Reviews

Scientific Management comprising "Shop Management," "The Principles of Scientific Management" and Testimony Before the Special House Committee, by Frederick W. Taylor, with a Foreword by Harlow S. Person. Harper, New York, 1947. 638 pages. $5.00.

IN the closing decades of the nineteenth century, prior to the period when American industry on the grand scale began to get into its stride, the usual emphasis was on the number of "hands." Factories, or whole industries, were rated in public esteem largely by the number of employees. Unsifted immigrants by the shipload, largely from southeastern Europe, afforded one of the obvious routes to grandeur. Labor *was* a commodity.

In the first decade of the twentieth century the cry for "efficiency" was heard in the land. Numbers were not enough. The workers—individually and collectively—were to be taught the appropriate arts and sciences of production and equipped to yield output in ever-increasing volume. "Hands" ceased to be looked upon as static entities. Under schooled leadership even crude types of workers could be made progressively skillful and productive. Of all the suggested schemes for pushing up production levels, scientific management, developed and publicized by Frederick W. Taylor and associates largely during the years 1880-1910, provided the most comprehensive "one best way." The continuing validity of this verdict has received world-wide acceptance.

Two of Taylor's books, published respectively in 1903 and 1911, and an extended piece of testimony given before a Congressional investigating committee in 1912 have just been re-issued in a single handsome volume, seemingly in answer to a demand voicing itself approximately forty years after their first appearance. Why? I have no hesitancy in suggesting an answer which if sound must have significance for those in any capacity responsible for the forward march of American industry, including financiers, engineers, labor leaders, industrialists, sociologists, foremen and others.

American industry is being exposed to a new and widespread influence as sensationally radical as was the demand for efficiency after the turn of the century. The cry today is for sympathy, understanding and square dealing in the employer-employee relationship.

The real irony is that of the employer who rushes out of his office past scores or hundreds or thousands of people whom he doesn't understand and who don't understand him and goes home for the weekend to spend hour after hour trying to earn the confidence of a dog in order to teach him to hunt or to earn the confidence of a horse in order to teach him to jump.[1]

New stress must be laid on all human bonds and ties if we are to survive the competition and assaults of unfriendly ideologies.[2]

The will to peace (in industry) with freedom calls for teamwork based on an atmosphere in which men know, respect, and have confidence in one another.[3]

Why should an employee be interested in the success of the company if the company is not genuinely interested in him? Does the company think that it kids the worker when it talks of making him a better employee and only means that it is interested in getting more out of him? Management should be interested in the worker, not only as a more effective producer but as a more effective individual. How many companies are interested in broadening the worker's outlook, in developing his mind, in making him a better person so that he can be a happier individual? Does it sound unbusinesslike to say that management has a responsibility for expanding the horizons of man, no matter what his job may be?[4]

The interest of the employee in the employer and his well-being has always been assumed. But that it is a two-way process is a brand-new and weighty idea. This makes satisfactory performance in the top echelon positions exceedingly difficult. To many now in the seats of authority the prospect may not be inviting.

With negligible exceptions those in industry are there

[1]From "The Causes of Industrial Peace" by Charles Francis, Chairman of the Board, General Foods Corporation, before the National Association of Manufacturers, Dec. 4, 1947.

[2]From "Statement of Policies & Objectives" of National Planning Association, Dec. 9, 1947.

[3]From *Goals of Cooperation*, Natl. Planning Assn., Dec. 1946.

[4]From "What an Employee Wants to Know" by Edward T. Cheyfitz, Ass't to President, Motion Picture Assn., before the American Management Assn's. Mid-Winter Conference on Feb. 25, 1947.

because of the livelihood afforded. So if this new relationship involving the heart as well as the hands and head is to be anything more than an emotional gesture the plant as a whole must be maintained at the highest present-day standards of an advancing technology and each individual concerned must be given the opportunity to utilize to the full his industrial capacities. The only industrial philosophy and practice which makes it possible for a modern-minded employer to meet these new demands is scientific management as outlined in this new publication more completely perhaps than ever before.

The value of the book is further enhanced through an inspiring foreword by Dr. Harlow S. Person, Gold Medalist of International Management Congress (Stockholm, 1947).

MORRIS L. COOKE

Washington, D. C.

The American Individual Enterprise System, Structure, Evolution and Future, by the Economic Principles Commission of the National Association of Manufacturers. McGraw-Hill, New York, 1946. 2 vols., 1,119 pages. $10.00.

THIS two-volume work of more than eleven hundred pages is the unique product of a commission of fifteen men made up about equally of business men and economists. Unlike other books written by several authors, it does not consist of chapters written by individual authors. The entire book is the product of the fifteen men who met in numerous sessions and by continuous discussion of varied view-points hammered out every point until all could agree on its wording.

While the book is frankly stated to be "a defense of our enterprise system" against "persistent attacks [which] have undermined confidence and faith" (p. 1,017), it presents a very thorough, comprehensive, factual description and analysis of our competitive free enterprise system and it describes in detail the organization of our industrial system, agriculture, transportation, marketing, labor relations, money and credit etc.

Having laid in the first volume the factual groundwork which loses none of its thoroughness from being written in non-technical language that any man of average intelligence can follow, it takes up in the second volume the functioning of the system and the controversial issues revolving about it. These include the role of prices and price determination, competition and monopoly, savings and capital formation, profit and loss in the enterprise system, business fluctuations, government regulation, government spending and, finally, "proposals for the abandonment of the enterprise system" and "a program for America's future."

The members of the commission are enthusiastic believers in free competition who are emphatic in their condemnation of monopoly and monopolistic practices. Yet there is an apparent glossing over the actual state of affairs in their failure to appraise the extent of monopolistic market control and the distortion it causes in the automatic determination of prices in a free competitive system through the free play of supply and demand. Nor is there much point in putting the blame for the existence of monopoly on the government instead of on those who organize and benefit by monopolistic practices (p. 620). Nor does that statement jibe with the assertion that "the authorities are eager to enforce" the anti-trust laws.

It is a matter of common knowledge that the extent and the degree of such enforcement varies with the party and the wing of the party in power and that enforcement on the whole has been so ineffective that monopolistic control of markets is, to say the least, hardly weaker today than it was nearly sixty years ago at the time of the enactment of the Sherman anti-trust law. It is true, as the authors say, that several government measures foster monopoly; among these may be mentioned the tariff, the so-called fair trade laws, the municipal building codes etc. In a democratic country like the United States, however, the government is but the executive organ of the people and all of the measures just mentioned found their way to the statute books at the insistence of and under pressure from business interests.

This question of free competition is basic in the book's treatment of our economic system. The description of the operation of our free enterprise system in all its manifestations, too numerous to mention in this brief review, is based on the assumption of the automatic functioning of a free competitive market in which the law of supply and demand regulates prices and, directly and indirectly, the distribution of the national income among the many groups comprising the economic order —the manufacturer, the farmer, the worker, the banker etc. It is on the free functioning of competition that the authors base their preference for laissez-faire to government regulation but they fail to take adequate account of the numerous manifestations of monopolistic suppressions or distortions of our competitive system.

In another vital aspect of the functioning of our system, the business cycle, the authors are emphatic in condemning the use of public works and other forms of

"government spending" as a means of mitigating or preventing depressions. They are also opposed to a governmentally planned economy.

They believe that sound money and credit policies designed to check speculation and booms will prevent subsequent depressions although they admit that fluctuations in business will always prevail under a system of private enterprise. This should be coupled with wise planning by management which should avoid price rigidity so as to reduce the peaks and valleys of production and employment.

N. I. STONE

Consulting Economist
New York, N. Y.

Industrial Management, by William R. Spriegel and Richard H. Lansburgh. Wiley, New York, 1947. 656 pages. $5.00.

THIS is the fourth edition of a book that was written originally by Richard H. Lansburgh in 1923. During the intervening years, it has achieved a firm position as an authoritative exposition of management practices in the United States. Since the book has been widely read, this review will confine itself to a discussion of changes in the new edition.

In his preface to the fourth edition, Dr. Spriegel states that Lansburgh "established a pattern that has been rigidly followed in each subsequent edition." In general, this is true. In this edition, however, some considerable rearrangement of the material in the book has been made. The preface indicates that this has been done to serve better the college student and the executive. A brief comparison of the contents of the third edition, published in 1940, with the fourth edition will show the nature of the rearrangement. The content matter of the third edition was presented in 630 pages of material, broken down into fifty chapters. The fourth edition contains 618 pages, broken down into forty-seven chapters. While some discussions have been condensed and some material deleted, the extent of such changes has not been great.

The fifty chapters of the third edition were grouped in seven parts as follows: Part I—Introduction, Part II—Fundamental Considerations In Industrial Management, Part III—The Plant as a Tool of Management, Part IV—The Product, Part V—Personnel Relations, Part VI—Wage Payment, Basic Relations of Employer and Employee, Part VII—Managerial Controls and Operating Procedures. The forty-seven chapters of the fourth edition are grouped in nine parts as follows: Part I—Introduction, Part II—Fundamental Considerations in Industry, Part III—Organization Structure, Part IV—The Plant and Equipment, Part V—Motion and Time Study, Part VI—Wage Payment, Basic Relations of Employer and Employee, Part VII—Buying, Selling and Transporting, Part VIII—Material and Production Control, Part IX—Personnel Administration and Management. A comparison of these chapter groupings suggests that the author has departed quite considerably from the original plan of the book. Further analysis indicates, however, that he has not.

In general, the change represents a reorganization of the material that was in the third edition. It has been revised in some places to give recognition to certain developments that have become important since 1939. For example, Chapter Five in the fourth edition shows the influence of Mooney and Reiley, Urwick, Holden and others who have contributed to the development of modern management theory. In Chapter Six, the discussion of the committee system has been rewritten and expanded. The discussion of the functions of the industrial organization has been rearranged. In Chapter Seven, the terms "coordination" and "morale" have been defined and explained. The discussion of "Morale-Building Organization" has been revised and expanded. A short but good discussion of "authority" has been included. In Chapter Eight, the discussion of "Historical Background of Product Design and Research" has been shifted to an earlier position. Some new material on research costs, research organization structure and research procedures has been added. A few revisions have been made in Chapter Nine. Brief discussions of artificial aging by the cold treatment process, the use of powdered metallurgy, infra-red drying and similar developments have been added to Chapter Ten. The discussion of non-ferrous metals and plastics has been revised to include some of the more recent uses. No important changes in Chapter Eleven, "Inspection," have been made. In general, there are no fundamental changes from the third edition although, as noted, there have been some important rearrangements of the material. The only question that can be raised concerns the logic of including the material in Chapters Eight, Nine, Ten and Eleven in a section that is entitled "Part III—Organization Structure." Much the same type of reorganization has been made in the cases of Part V—Motion and Time Study and Part VI—Wage Payment, Basic Relations of Employer and Employee. The material for these parts in the fourth edition has been drawn largely from Part VI of the third edition. Chapter Seventeen of Part IV on "The

Maintenance Department" is new. Some changes have been made in the discussion of the National Labor Relations Act in Chapter Forty-five, Part IX, to recognize changes in public opinion growing out of World War II experiences. It was not possible, obviously, to take account of the Taft-Hartley Act in this edition.

The changes noted above are typical of the changes that have been made throughout the book. As indicated, the content matter has been rearranged extensively for the purpose of increasing the effectiveness of its presentation. It has been revised at various points to take into account some of the more recent developments in the field of management. It will be recognized, of course, that the book did not need an extensive revision. It ranks high in the list of established management books because of its authoritative descriptions of management practices. During the war, management was confronted with rapidly expanding situations under emergency conditions. It had all that it could do to apply effectively the management principles that had previously been developed. In consequence, the significant changes in management practices that had permanent value were relatively few as compared with engineering changes. The former are based primarily on the economic and social sciences but the operations of economic laws were controlled to a considerable degree. The latter are based primarily on the physical sciences. The development and application of physical laws were facilitated by huge grants in aid.

Spriegel and Lansburgh's *Industrial Management* is required reading for executives and students of business who are not familiar with this standard text. The fourth edition should be added to every business library.

RALPH C. DAVIS

College of Commerce and Administration
Ohio State University

Standard Costs for Manufacturing, by Stanley B. Henrici. McGraw-Hill, New York, 1947. 289 pages. $3.50.

FROM the books and pamphlets covering standard costs I would choose this as the best for meeting the practical needs of the cost and engineering technicians in the plant. Both in the development of principles as well as in their application, the reader appreciates the "practical approach" coming from one well versed both in plant and cost experience. The step by step method that is followed in the treatment of such problems as setting standards, capacity versus efficiency variances, the making of entries into goods in process,

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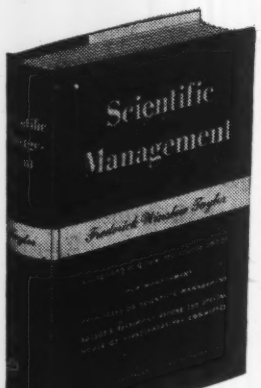
Seldom, if ever, has ADVANCED MANAGEMENT, published by The Society for the Advancement of Management, been privileged to make so important an announcement as this one. Now, for the first time in the history of management, Harper & Brothers have made available in one volume the three manuscripts by Dr. Taylor — Shop Management, Principles of Scientific Management and the Testimony given by Dr. Taylor before the Special Committee of the House of Representatives on Thursday, January 25, 1912.



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the handling of service and utility costs and their variances, and many other similar problems shows careful and accurate treatment. Few will find fault with either the thoroughness of description of principles or the clarity of illustrations.

As a text for university classes, however, I fear *Standard Costs for Manufacturing* could be used only after the student has had preliminary courses in general accounting and in historical costs. Even then much teacher-assistance would be demanded where students have had no plant or shop experience. Similarly, for instructional purposes the text could be enhanced if the flow of all current allowances, actual expenditures and charges into inventory from the initial forms to the final statements and the general books were clearly set forth. Not only the industrial engineer but the factory cost accountant often experiences difficulty in understanding how all the details become summarized in the final fiscal and operating statements. A brief treatment of budgeting is covered, but, since the book is limited to plant standards, there is no attempt made to cover those broader aspects of budgeting related to profit planning, fiscal controls and the various phases of marketing.

One misses the cost and variance statements that go to plant superintendents and the general managers—those summary variance reports that give management an over-all picture of strengths and weaknesses. This criticism, however, in no way depreciates the value of the book in setting forth the basic principles and operating methods of standard costs in a practical and useful way.

CHARLES REITELL

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New York, N. Y.

Preparation of Company Annual Reports, by Ernest Dale. Research Report Number Ten, American Management Association, New York, 1947. 104 pages. $3.00.

FOR anyone interested in annual reports and good stockholder relations generally, this book contains much practical information. Mr. Dale, who did the research and wrote the text, obtained the help of many well informed persons and organizations.

As a result, the book is packed with useful knowledge of a how-to-do-it nature. Fortunately, a considerable amount of philosophy and fundamental thinking behind the subject is also included. Some of this is interwoven through the mass of case study material, at least by implication.

In writing from the inside fraternity of business management, it is hardly to be expected that the author would condemn a large segment of business for lack of progress. The standard procedure is to single out some companies which have made progress and to explain just how they did it effectively.

However, as John M. Hancock is quoted, "Stockholders . . . the backbone of American business . . . are entitled to better corporate reports than they are getting today from many companies."

Mr. Dale puts his finger on several basic points. For example, living as we do — and hope to continue — in a fabric of property rights, stockholders provide the capital and therefore must be given proper consideration. Stockholders who are rightly treated and are kept well informed provide valuable support when additional capital is needed by a corporation. They can have an important bearing on the sales of a corporation's products and services and lend support as citizen-voters.

While an employee who owns a small amount of stock in the company is more interested in his pay, treatment and security, his attitude may be tempered favorably because he is an investor—especially if he is kept informed by management.

Big business is growing bigger and medium-sized companies are becoming big. More and more millions of families are involved in business investments. The success of free enterprise depends on such a course. Hence the subject of stockholder relations is constantly assuming greater national significance.

Mr. Dale's book helps to point the way to meet the challenges involved. He reports at length on the use of relatively new and effective techniques, such as making surveys of stockholder opinion. He analyzes both the financial and narrative portion of annual reports and the non-financial sections and features which have gained recognition in recent years.

The book is well organized, based on careful study, and competently written in a form easy to read and grasp. It merits wide reading and consideration by business executives.

VERNE BURNETT

Public Relations Counsellor
New York, N. Y.

Personnel Management, by Michael J. Jucius. Richard D. Irwin, Chicago, 1947. 690 pages. $5.00.

THIS book is the first of its kind to give proper consideration to the importance of the organization of a business firm as a basis for the establishment of a sound personnel program. It is one of the first textbooks

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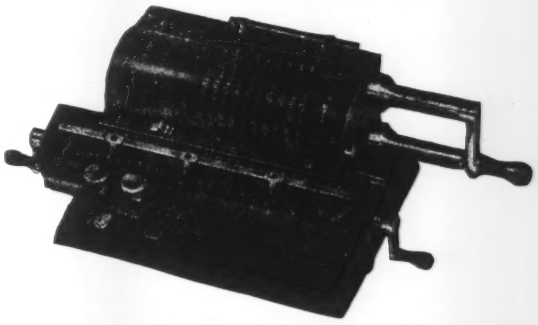

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on personnel management since World War II and includes many of the improved techniques and practices that industry developed during the past decade.

Personnel management is presented and explained in a manner that approaches a professional point of view. Instead of merely describing personnel work in the narrative manner so characteristic of other books in this field, the author attempts to give the reader the basic fundamentals necessary to develop an integrated personnel program for a business concern.

Business executives as well as college students interested in good personnel management can benefit from a study of the logical presentation of the personnel functions. The entire field is considered and developed in the following manner: (1) the objectives and factors of personnel management, (2) the organizational relationships involved, (3) the principal functions of personnel management, (4) the principles and policies that should be followed and (5) the techniques, tools and devices used in performing personnel work.

The limitations of the book include too little emphasis and treatment of the personnel research and control function and an insufficient consideration of the psychological and sociological factors that affect personnel relations. Most of the illustrations are either taken from or apply to the area of manufacturing although, with some imagination, they may be applied to other areas.

Contributions are made in the logical manner and sequence in which the author deals with personnel objectives, selection, training, health and safety, employee services and industrial relations. The portions on industrial relations are well done and include sections on collective bargaining, handling grievances, dealing with unions, disciplinary action and present legislation.

Since it represents a progressive step in the development of personnel management as a science, the book will probably become an accepted standard text in the field.

JOHN F. MEE
Chairman
Department of Management
Indiana University

Labor Relations and Human Relations, by Benjamin M. Selekman. McGraw-Hill, New York, 1947. 255 pages. $3.00.

MANY employers in the past ten years have gone through a more or less painful transition from fighting tooth-and-nail to keep out a union to accepting collective bargaining as a permanent part of doing business, only to be incensed again and again because the

union leaders have continued to stir up antagonisms and persisted in wasting time haggling over unreasonable demands. Union leaders, supposedly "swollen with power," show more insecurity than self-confidence in their expressed fears of management's attempts to destroy unionism, either directly or with the aid of federal legislation. Yet, as Professor Selekman comments in his preface, both management and labor profess to believe that free collective bargaining is the only hope of satisfactory industrial relations in a democratic society.

If so much depends on collective bargaining, then continuous study must be made of the processes and relationships involved in it. *Labor Relations and Human Relations,* as the title implies, deals with the "quality of relationships developed among managements and unions." It does not belittle the economic and legalistic aspects of collective bargaining, but it considers them matters which can be handled with comparative ease if the man-to-man attitudes and relationships are sound.

The author, who criticizes the "cult of realism" of certain industrial executives, may dislike having the adjective "realistic" applied to this book. Nevertheless, it is realistic in the best sense of the word—in relating a study of the problems of human relations in collective dealings to specific developments and situations. The analyses of employee, union and management attitudes through the difficult transitional period of organization and negotiating the first contract are excellent and the advice given as to means of minimizing the antagonisms and developing mutual interests are, for the most part, based on practical possibilities. Throughout the book, Professor Selekman stresses the importance of a conscious effort toward good relationships developed according to the context of the individual situation. *Labor Relations and Human Relations* should help both the manager and the labor leader understand themselves, the people with whom they deal and the problems they face. At no time, does it pretend to offer a ready-made formula for building better relationships.

The author may be over-optimistic in his estimation of the ability of adult men to modify long-established emotional and thought patterns. But optimism is essential among men who must help others work through antagonism and bitterness to friendly and cooperative effort. As Professor Selekman concludes, "The strengthening of the grass-roots shop, where men at work interact in conflict and cooperation, belongs to the whole problem of participation in democratic society." In this book, he has pointed out the responsibility of industry to help individuals gain greater satisfaction in their work and the responsibility of both management and

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labor to live and work together more effectively. His suggestions, which are not beyond the reasonable capacities of industrial and labor leaders, are worthy of the serious attention of both.

HELEN BAKER

Associate Director
Industrial Relations Section
Princeton University

How to Handle Labor Grievances, by John A. Lapp. National Foremen's Institute, New York, 1945. 290 pages. $4.00.

THE title of this book leads one to expect suggestions and advice on the day-to-day handling of grievances, typical of the "how to" books. It is a far more ambitious undertaking.

Obviously, the volume is not primarily intended for foremen and supervisors, but rather for top industrial relations executives. The information itself might be of interest and help to foremen, but the entire concept and phraseology assume that the reader has an extensive labor relations background. As an example, in a chapter on "Discharge and Discipline of Employees" we find:

> Limitation of discharge to "cause" or to "just cause" or to specified causes presupposes proof of such causes. The employer is not left to be the sole or final judge of the evidence. What constitutes "cause" or "just cause"? Without further definition the terms must be construed very broadly. The interpretation must be similar to that of courts in public office cases where the term "for cause" is interpreted as requiring reasons such as a reasonable and unbiased person would approve. "A removal for cause," said the highest court of New York State, in speaking of removals from public office, "must be for a substantial, reasonable and just cause."

Grievances are treated in five major aspects: background and history of grievance procedures, grievances and how to deal with them, outline of grievance procedures, grievance procedures in selected industries, and problems of grievance procedures. These are followed by an appendix of approximately sixty pages, giving selected grievance procedures of contracts and forms used in grievance procedures.

The historical material is exhaustive, dating back to the first grievance procedures at the end of the last

century. The author also leans heavily on legal decisions. Numerous references are made to the National War Labor Board which may or may not be completely valid in view of more recent labor legislation. In fact the author seems somewhat to overemphasize the legal aspect of the grievance procedure, although he admits that by far the greatest majority of grievances are settled by foremen. When he states, "One of the most effective means for the prevention of grievances is the granting of adequate power to the foreman to adjust all grievances which can be handled by him," he speaks correctly.

There is no question but that this book is a completely logical and comprehensive treatment of the grievance procedure. The value of the book, which is so essentially reference material, is, unfortunately, seriously impaired by the lack of an index.

GLENN GARDINER

Vice-President
Forstmann Woolen Co.
Passaic, N. J.

March Calendar of Chapter Meetings

of the
Society for the Advancement of Management

Date	Chapter	Subject and Speaker	Place
March 2 6:30 P.M.	Hudson Valley	"Practical Aspects of Quality Control": Panel Discussion	Troy Club, Troy, N. Y.
March 3 8:00 P.M.	Detroit	"Method-Time Measurement Procedure": Harold B. Maynard, President, Methods Engineering Council	Engineering Society
March 3 6:30 P.M.	Philadelphia	"Developments in Managerial Control of Distribution and Sales": Herman C. Nolen, Vice-President, McKesson & Robbins	Engineers Club
March 4 6:30 P.M.	Boston	"Sales Management—What is Ahead in Sales Competition?": F. W. Lovejoy, Standard Oil Co.	Hotel Sheraton
March 4 6:30 P.M.	Cincinnati	"The Will to Work—The Answer to Increasing Worker Productivity": Phillips Bradley, Director, Institute of Labor and Industrial Relations, University of Illinois	Hotel Alms
March 5 7:45 P.M.	Alabama	"Industrial Management's Right Arm": Herbert C. Stockham, President, Stockham Pipe Fittings Co.	Molton Hotel, Birmingham
March 5	Lancaster	"Progressive Management Techniques": One-Day Conference	Brunswick Hotel
March 9 6:30 P.M.	Baltimore	"The Supervisor in Industry": M. J. Rathbone, President, Standard Oil Co. of N. J.	Park Plaza Hotel
March 9 6:30 P.M.	Dayton	"Labor Looks at the Taft-Hartley Act": Walter Cenerazzo, President, American Watch Workers Union	Engineers Club
March 9 8:00 P.M.	Indianapolis	"Management in the Home": Dr. Lillian M. Gilbreth	The Athenaeum
March 16 6:15 P.M.	Wilmington	"Establishing Standards of Performance": J. C. Sweeten, Supervisor, Industrial Relations Research Socony-Vacuum Oil Co.	Hotel Rodney
March 18 6:30 P.M.	Pittsburgh	"Dynamics of Collective Bargaining": G. E. Morse, Sylvania Electric Products	University Club
March 23 6:30 P.M.	Stamford	"Management Practices for Efficient Production": Franklin E. Foltz, Harvard Graduate School of Business Administration	Hugo's Restaurant

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